ENERGY AND WATER DEVELOPMENT APPROPRIATIONS FOR 2011

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT

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Federal Energy Regulatory Commission

FY 2011

Congressional Budget Request

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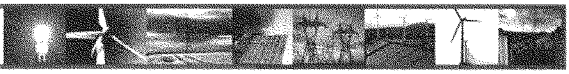

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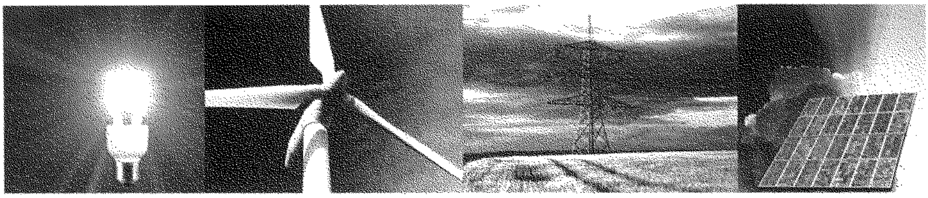


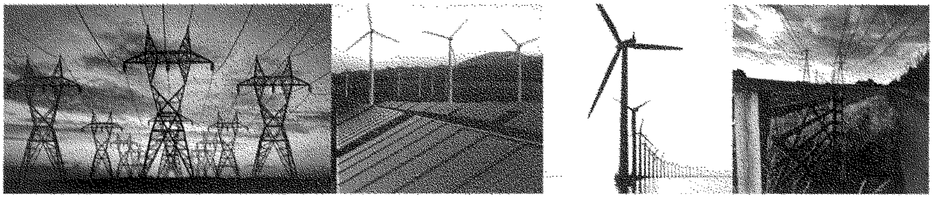
THE FEDERAL ENERGY REGULATORY COMMISSION'S MISSION

Reliable, Efficient, and Sustainable Energy for Consumers

Assist consumers in obtaining reliable, efficient, and sustainable energy services at a reasonable cost through appropriate regulatory and market means.

Fulfilling this mission involves pursuing two primary goals:

1. **Ensure that rates, terms and conditions are just, reasonable and not unduly discriminatory or preferential.**
2. **Promote the development of safe, reliable and efficient energy infrastructure that serves the public interest.**



The Federal Energy Regulatory Commission (FERC or the Commission) requests funding of $315,600,000 and 1,539 full-time equivalents (FTEs) for fiscal year (FY) 2011. The Commission's proposed budget reflects a net change of $17.6 million and 11 additional FTEs to carry-out the Commission's reliability and critical infrastructure protection standards development and compliance processes; enforcement efforts; and policy reforms related to renewable resources and advanced technologies.

In accordance with the Office of Management and Budget guidance, the Federal Energy Regulatory Commission updated its Strategic Plan for fiscal years 2009 – 2014. During this update, Strategic Goals and Objectives were developed to align with the Commission's statutory authorities. The Commission's budget request and associated justification is aligned with its updated Strategic Plan.

Funding by Strategic Goal

(Dollars in Thousands)

	FY 2009 Actual	FY 2010 Estimate	FY 2011 Request	% (+/-) FY 2010 to FY 2011
Goal 1	$164,464	$166,709	$175,386	5.2%
Objective 1.1	125,393	125,273	130,734	4.4%
Objective 1.2	39,071	41,436	44,652	7.8%
Goal 2	$118,006	$131,291	$140,214	6.8%
Objective 2.1	68,494	68,669	72,667	5.8%
Objective 2.2	30,457	31,053	32,525	4.7%
Objective 2.3	19,055	31,569	35,021	10.9%
TOTAL	$282,469	$298,000	$315,600	5.9%

Note: Numbers in table may not add due to rounding.

FTEs by Strategic Goal

	FY 2009 Actual	FY 2010 Estimate	FY 2011 Request	% (+/-) FY 2010 to FY 2011
Goal 1	824	869	875	0.7%
Objective 1.1	648	653	657	0.6%
Objective 1.2	175	216	218	0.9%
Goal 2	573	659	664	0.8%
Objective 2.1	330	334	334	0.0%
Objective 2.2	156	160	160	0.0%
Objective 2.3	86	165	170	3.0%
TOTAL	1,396	1,528	1,539	0.7%

Note: Numbers in table may not add due to rounding.

OBJECT CLASS SUMMARY

(Dollars in Thousands)

		FY 2009 Actual	FY 2010 Estimate	FY 2011 Request
11.9	Personnel Compensation	$152,357,320	$172,317,000	$178,298,400
12.1	Benefits	40,515,500	43,990,000	48,262,000
13.0	Benefits for Former Personnel	26,103	-	-
	Total, Personnel Compensation & Benefits	$192,898,923	$216,307,000	$226,560,400
21.0	Travel and Transportation of Persons	3,728,283	4,490,000	4,899,300
22.0	Transportation of Things	7,365	5,000	5,000
23.1	Rental Payments to GSA	20,769,184	22,128,300	23,940,600
23.2	Rental Payments to Others	508,361	600,000	625,000
23.3	Communications, Utilities & Misc. Charges	2,039,722	1,802,400	2,001,000
24.0	Printing and Reproduction	2,140,953	2,206,000	2,206,000
25.0	Other Services	52,736,033	46,916,061	48,396,000
25.1	Advisory and Assistance	9,508,304	8,569,100	9,542,500
25.2	Non-Federal	12,059,104	7,423,200	7,736,600
25.3	Federal	2,504,589	1,585,200	2,389,100
25.4	Operation & Maintenance of Facilities	4,425,329	2,500,000	1,948,000
25.7	Operation & Maintenance of Equipment	24,238,707	26,838,561	26,779,800
26.0	Supplies and Materials	1,627,363	1,272,600	1,287,600
31.0	Equipment	5,852,916	2,190,939	5,597,400
41.0	Grants, Subsidies & Contributions	20,717	56,700	56,700
42.0	Insurance Claims and Indemnities	139,582	25,000	25,000
	TOTAL, OBLIGATIONS	$282,469,401	$298,000,000	$315,600,000
	Application of Prior Years' Budget Authority	-	-	-
	GROSS BUDGET AUTHORITY	$282,469,401	$298,000,000	$315,600,000
	Offsetting Receipts	(282,469,401)	(298,000,000)	(315,600,000)
	NET BUDGET AUTHORITY	$ -	$ -	$ -

Funding Breakdown by Industry

(Dollars in Thousands)

	FY 2009 Actual	FY 2010 Estimate	FY 2011 Request	% (+/-) FY 2010 to FY 2011
Electric Power	$138,837	$158,160	$167,562	5.9%
Natural Gas & Oil Pipelines	76,875	72,951	77,520	6.3%
Hydropower	66,756	66,888	70,518	5.4%
TOTAL	$282,469	$298,000	$315,600	5.9%

Note: Numbers in table may not add due to rounding.

FTE Breakdown by Industry

	FY 2009 Actual	FY 2010 Estimate	FY 2011 Request	% (+/-) FY 2010 to FY 2011
Electric Power	705	825	832	0.8%
Natural Gas & Oil Pipelines	367	376	379	0.8%
Hydropower	324	327	328	0.3%
TOTAL	1,396	1,528	1,539	0.7%

Note: Numbers in table may not add due to rounding.

PROPOSED APPROPRIATION LANGUAGE

For necessary expenses of the Commission to carry out the provisions of the Department of Energy Organization Act (42 U.S.C. 7101 et seq.), including services as authorized by 5 U.S.C. 3109, the hire of passenger motor vehicles, and official reception and representation expenses not to exceed $3,000, $315,600,000, to remain available until expended: Provided, That notwithstanding any other provision of law, not to exceed $315,600,000, of revenues from fees and annual charges, and other services and collections in FY 2011 shall be retained and used for necessary expenses in this account, and shall remain available until expended: Provided further, That the sum herein appropriated from the general fund shall be reduced as revenues are received during FY 2011 so as to result in a final FY 2011 appropriation from the general fund estimated at not more than $0.

Full Cost Recovery

The Commission recovers the full cost of its operations through annual charges and filing fees assessed on the industries it regulates as authorized by the Federal Power Act (FPA) and the Omnibus Budget Reconciliation Act of 1986. The Commission deposits this revenue into the Treasury as a direct offset to its appropriation, resulting in no net appropriation.

	FY 2009 Actual	FY 2010 Estimate	FY 2011 Request
Appropriation	$273,400	$298,000	$315,600
Offsetting Collections	(273,400)	(298,000)	(315,600)
Net Appropriation	$ -	$ -	$ -

Dollars in thousands

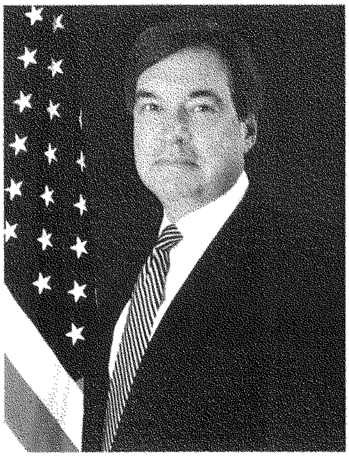
Overview of the Federal Energy Regulatory Commission

The Commission is an independent regulatory agency within the U.S. Department of Energy (DOE). The Commission's statutory authority centers on major aspects of the Nation's wholesale electric, natural gas, hydroelectric, and oil pipeline industries.

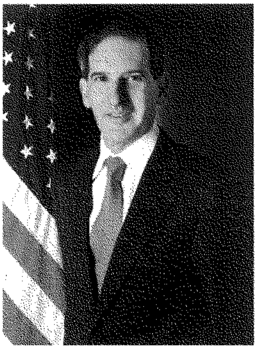
The Commission was created through the Department of Energy Organization Act on October 1, 1977. At that time, the Federal Power Commission (FPC), the Commission's predecessor that was established in 1920, was abolished and the Commission inherited most of the FPC's regulatory mission. As authorized by the FPA and the Omnibus Budget Reconciliation Act of 1986, the Commission recovers the full cost of its operations through annual charges and filing fees assessed on the industries it regulates. This revenue is deposited into the Treasury as a direct offset to its appropriation, resulting in no net appropriation.

FERC is composed of up to five commissioners who are appointed by the President of the United States with the advice and consent of the Senate. Commissioners serve staggered five-year terms and have an equal vote on regulatory matters. To avoid any undue political influence or pressure, no more than three commissioners may belong to the same political party. One member of the Commission is designated by the President to serve as Chair and as FERC's administrative head. FERC's decisions are not reviewed by the President or Congress, maintaining FERC's independence as a regulatory agency, and providing for fair and unbiased decisions.

THE CURRENT CHAIRMAN AND COMMISSIONERS

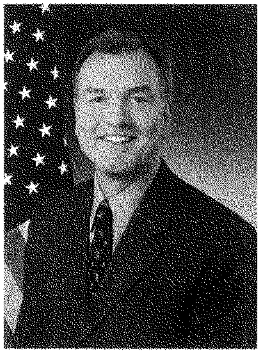


Chairman Wellinghoff
Sworn In: July 31, 2006
Term Expires: June 30, 2013



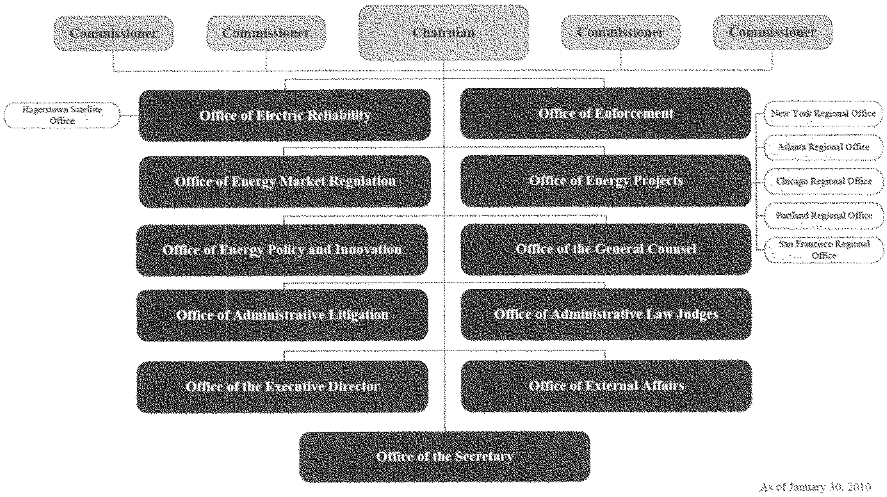
Commissioner Spitzer
Sworn In: July 21, 2006
Term Expires: June 30, 2011

Commissioner Moeller
Sworn In: July 24, 2006
Term Expires: June 30, 2010

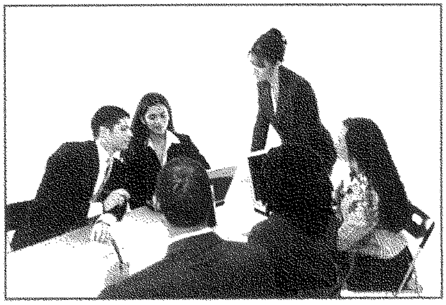


Commissioner Norris
Sworn In: January 11, 2010
Term Expires: June 30, 2012

In addition to the Chairman and Commissioners, FERC is organized into 11 separate functional offices; each is responsible for carrying out specific portions of the Commission's responsibilities. The offices work in close coordination to effectively carry out the Commission's statutory authorities.


Commissioner
Commissioner
Chairman
Commissioner
Commissioner
Hagerstown Satellite Office
Office of Electric Reliability
Office of Enforcement
New York Regional Office
Atlanta Regional Office
Chicago Regional Office
Portland Regional Office
San Francisco Regional Office
Office of Energy Market Regulation
Office of Energy Projects
Office of Energy Policy and Innovation
Office of the General Counsel
Office of Administrative Litigation
Office of Administrative Law Judges
Office of the Executive Director
Office of External Affairs
Office of the Secretary

As of January 30, 2010



Office of Administrative Law Judges (ALJ)
Resolves contested cases as directed by the Commission either through impartial hearing and decision or through negotiated settlement, ensuring that the rights of all parties are preserved.

Office of Administrative Litigation (OAL)
Litigates or otherwise resolves cases set for hearing. Represents the public interest and seeks to litigate or settle cases in an equitable manner while ensuring the outcomes are consistent with Commission policy. The Dispute Resolution Service (DRS) is located within OAL and provides neutral, third-party assistance using alternative dispute resolution (ADR) methods to parties in regulatory and environmental conflict; trains staff and energy stakeholders in collaborative problem-solving tools to develop and ensure a reliable infrastructure.

Office of Electric Reliability (OER)
Oversees the development and review of mandatory reliability and security standards; ensures compliance with the approved mandatory standards by the users, owners, and operators of the bulk power system.

Office of Energy Market Regulation (OEMR)
Provides technical and policy advice on matters involving markets, tariffs and rates relating to electric, natural gas, and oil pipeline facilities and services as well as demand response, energy efficiency, distributed generation, renewable energy issues, greenhouse gas emissions policies, and advanced technologies relevant to grid and wholesale markets.

Office of Energy Policy and Innovation (OEPI)
Issues, coordinates, and develops proposed policy reforms to address emerging issues affecting wholesale and interstate energy markets, including such areas as climate change, the integration of renewable resources, and the deployment of demand response.

Office of Energy Projects (OEP)
Fosters economic and environmental benefits for the Nation through the approval and oversight of hydroelectric, natural gas, (including pipelines, storage, and liquefied natural gas (LNG) facilities), and electric transmission projects that are in the public interest.

Office of Enforcement (OE)
Protects customers through understanding markets and their regulation, timely identifying and remedying market problems, assuring compliance with rules and regulations, and detecting violations and crafting appropriate remedies, including civil penalties.

Office of External Affairs (OEA)
Responsible for all external communications with the public and media for the Commission.

Office of the Executive Director (OED)
Provides administrative support services to the Commission including human resources (HR), procurement, information technology (IT), organizational management, financial, and logistic functions.

Office of the General Counsel (OGC)
Provides legal services to the Commission. Represents the Commission before the courts and Congress and is responsible for the legal aspects of the Commission's activities.

Office of the Secretary (OSEC)
Serves as the official focal point through which all filings are made for proceedings before the Commission.

REGULATORY AUTHORITY HISTORY AND OVERVIEW

The Commission has an important role in the development of a reliable energy infrastructure and the protection of wholesale customers from unjust and unreasonable rates and undue discrimination and preference. The Commission draws its authority from various statutes and laws that are described below.

Hydropower

Congress passed the Federal Water Power Act of 1920 which gave the FPC its original authority to license and regulate nonfederal -hydropower projects on navigable waterways and federal lands. As the regulatory authority of the FPC expanded, the Federal Water Power Act ultimately became Part I of the FPA. Part I of the FPA has been amended by subsequent statutes including the Electric Consumers Protection Act of 1986 and the Energy Policy Act of 1992. The Commission relies on these authorities to carry out its hydropower responsibilities including: the issuance of preliminary permits; the issuance of licenses for the construction of a new project; the issuance of licenses for the continuance of an existing project (relicensing); the investigation and assessment of headwater benefits; and the oversight of all ongoing project operations, including dam safety and security inspections, public safety and environmental monitoring. While the Commission's responsibility under the FPA is to strike an appropriate balance among the many competing developmental and environmental interests, several other laws, statutes, and executive orders affect hydropower regulation. These include, but are not limited to, the National Environmental Policy Act (NEPA), Clean Water Act, Coastal Zone Management Act, Endangered Species Act, Fish and Wildlife Coordination Act, and National Historic Preservation Act.

Smart Grid is shorthand for a growing array of applications and devices that enhance and automate the monitoring and control of electrical transmission and distribution networks for added reliability, efficiency and cost-effective operations.

Electric

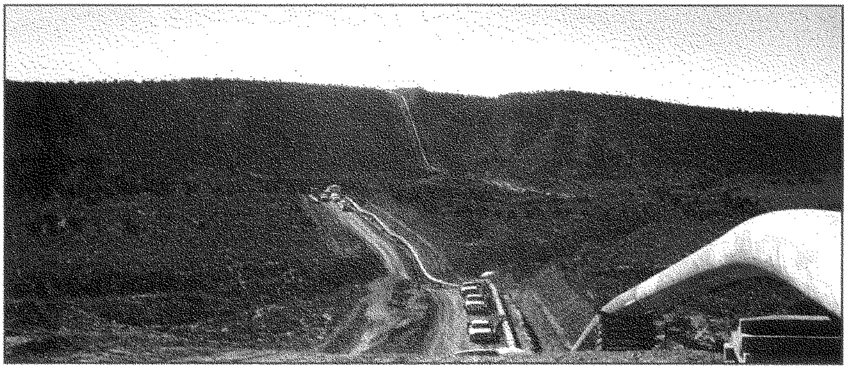
Since 1935, the Commission has regulated certain electric industry activities under the FPA. Under FPA sections 205 and 206, the Commission ensures that the rates, terms and conditions of sales for resale of electric energy and transmission in interstate commerce by public utilities are just, reasonable, and not unduly discriminatory or preferential. Under FPA section 203, as amended by the Energy Policy Act of 2005 (EPAct 2005), the Commission reviews mergers and acquisitions, and certain other corporate transactions involving public utilities and public utility holding companies.

The Commission is also ultimately responsible for protecting and improving the reliability of the bulk power system. Section 215 of the FPA provides for the establishment of a federal regulatory system of mandatory and enforceable electric reliability standards for the Nation's bulk power system. The standards, developed by a Commission-certified Electric Reliability Organization (ERO) and approved by the Commission, apply to all users, owners, and operators of the bulk power system. The ERO operates within the 48 contiguous states and is under the direct oversight of the Commission. The Commission is ultimately responsible for the effective enforcement of the standards.

The Commission also has other electric regulatory responsibilities under portions of the Public Utility Regulatory Policies Act of 1978 and the Public Utility Holding Company Act of 2005 pertaining to qualifying facilities, exempt wholesale generators, and books and records access requirements. Under the Energy Independence and Security Act of 2007 (EISA), the Commission, along with DOE and National Institute of Standards and Technology (NIST), participates in a smart grid taskforce to ensure awareness, coordination, and integration of the federal government's diverse activities related to smart grid technologies and practices.

The Commission also has limited authority over the siting of electric transmission facilities. Under section 216 of the FPA, the Commission is responsible, subject to certain conditions, for authorizing interstate electric transmission facilities that are proposed in National Interest Electric Transmission Corridors, designated by the Secretary of Energy.

The Commission's regulations apply primarily to investor-owned utilities. Government-owned utilities (e.g., Tennessee Valley Authority, federal power marketing agencies), state and municipal utilities, and most cooperatively-owned utilities are not subject to Commission regulation (with certain exceptions). Regulation of retail sales and local distribution of electricity are matters left to the states. In addition, the Commission does not have a role in authorizing the construction of new generation facilities (other than non-federal hydroelectric facilities) which is the responsibility of state and local governments.



Natural Gas and Liquefied Natural Gas

The Commission's role in regulating the natural gas industry is largely defined by the Natural Gas Act of 1938 (NGA). Under section 3 of the NGA, the Commission reviews the siting, construction, and operation of facilities to import and export natural gas, including LNG terminals. As part of its responsibility, the Commission conducts cryogenic design and technical review of the operational aspects of LNG facilities during the certificate process. Once a facility is constructed and operational, the Commission conducts safety, security and environmental inspections for the life of the facility.

Under section 7 of the NGA, the Commission issues certificates of public convenience and necessity for the construction and operation of interstate natural gas pipelines and storage facilities. FERC is also responsible for conducting compliance inspections of the natural gas pipelines and storage facilities during construction. Although the Commission does not have any jurisdiction over the safety or security of natural gas pipelines or storage facilities once they are in service, it actively works with other agencies with these responsibilities, most notably the Pipeline and Hazardous Materials Safety Administration of the Department of Transportation (DOT).

As required by NEPA, the Commission prepares environmental documents for proposed natural gas and LNG facilities and acts in conformance with other environmental statutes as appropriate, including the Endangered Species Act, National Historic Preservation Act, and Coastal Zone Management Act.

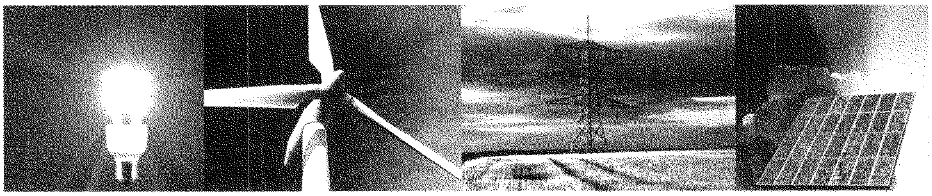
Under sections 4 and 5 of the NGA, the Commission oversees the rates, terms and conditions of certain sales for resale and transportation of natural gas in interstate commerce. The Commission's jurisdiction over sales for resale of natural gas is limited by the Natural Gas Policy Act of 1978 and the Natural Gas Wellhead Decontrol Act of 1989. Regulation of the production and gathering of natural gas, as well as retail sales and local distribution, are matters left to the states.

Oil

The Interstate Commerce Act gives the Commission jurisdiction over the rates, terms and conditions of transportation services provided by interstate oil pipelines. The Commission has no authority over the construction of new oil pipelines or over other aspects of the industry such as production, refining or wholesale or retail sales of oil.

Oversight and Enforcement

The Commission's enforcement role was significantly reinforced by EPAct 2005, which conferred expanded authority on the Commission to assess penalties for violations of the NGA and all of Part II of the FPA. The Commission's enforcement role was also expanded with respect to mandatory and enforceable electric reliability standards. EPAct 2005 further provided for or increased the level of civil penalties of up to $1 million per violation of any Commission order or regulation for each day the violation continues.



GOAL 1: JUST AND REASONABLE RATES, TERMS AND CONDITIONS

Ensure that rates, terms and conditions are just, reasonable and not unduly discriminatory or preferential.

Funding and FTE Breakout for Strategic Goal 1

(Dollars in Thousands)

	FY 2009 Actual	FY 2010 Estimate	FY 2011 Request	% (+/-) FY 2010 to FY 2011
Total Goal 1 Funding	**$164,464**	**$166,709**	**$175,386**	**5.2%**
Objective 1.1	**$125,393**	**$125,273**	**$130,734**	**4.4%**
Program	105,053	104,754	109,078	4.1%
Support	20,340	20,518	21,656	5.5%
Objective 1.2	**$39,071**	**$41,436**	**$44,652**	**7.8%**
Program	33,571	34,641	37,449	8.1%
Support	5,499	6,795	7,204	6.0%
Total Goal 1 FTEs	**824**	**869**	**875**	**0.7%**
Objective 1.1	**648**	**653**	**657**	**0.6%**
Program	535	538	541	0.6%
Support	113	115	116	0.9%
Objective 1.2	**175**	**216**	**218**	**0.9%**
Program	145	178	180	1.1%
Support	31	38	39	2.6%

Note: Numbers in table may not add due to rounding.

Introduction

The Commission's statutory authority and overarching goal for wholesale energy markets is to ensure that rates, terms and conditions of service are just and reasonable and not unduly discriminatory or preferential. To achieve this goal, the Commission uses a combination of 1) effective regulation, including reviewing rates and market rules; and 2) market means, e.g., competition. While guarding ratepayers from unjust and unreasonable rates and protecting them from undue discrimination or preferential treatment, the Commission ensures that service providers have the opportunity to receive a fair return on their investments in infrastructure. The Commission addresses this strategic goal through tariff and complaint proceedings.

In addition, the Commission adapts its rate and energy market development policies, as necessary. Currently, the Commission is responding to growing concerns about energy security, energy efficiency, environmental quality, electric transmission adequacy and reliability, and the cost and siting of new electric energy infrastructure. The Commission is committed to effectively addressing issues within its jurisdiction resulting from these, and other national priorities, as well as changes within energy markets.

The Commission is responsible for overseeing energy markets and enforcing the laws and regulations under its jurisdiction. The Commission uses a balanced approach in its oversight and enforcement efforts including: educating entities about market rules and other regulations; promoting internal compliance programs; employing robust audit and investigation programs; and, where appropriate, exercising the Commission's civil penalty authority.

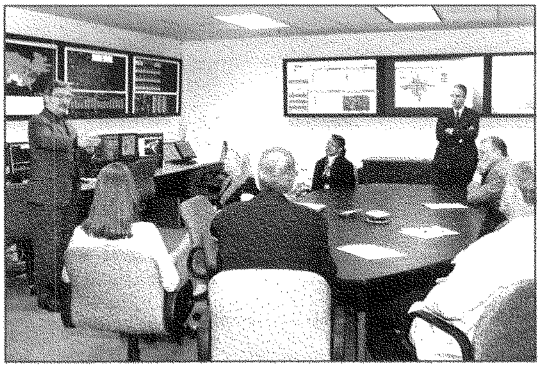
OBJECTIVE 1.1: REGULATORY AND MARKET MEANS

Ensure implementation of appropriate regulatory and market means for establishing rates.

Improving the competitiveness of wholesale electric markets is important to achieving just and reasonable rates, terms and conditions of service. Competition encourages new entry among supply-side and demand-side resources, spurs innovation and deployment of new technologies, improves operating performance, and exerts downward pressure on costs. Notable benefits also stem from more broadly diversifying the fuels used to generate electricity. The Commission uses its open access transmission policies and its authority to review proposed market rules to ensure the competitiveness of these markets. The Commission also regularly reviews proposals from regional transmission organizations (RTOs) and independent system operators (ISOs) to reform wholesale organized markets to ensure that the dynamics for buying, selling and transmitting energy are robust and working as intended.

A significant portion of the Commission's workload lies in one of its core activities, approving rates and tariff provisions, as appropriate. In addition to this critical function, the Commission will focus on four strategies to achieve this objective.

Strategy 1:	Establish rules that enhance competition by allowing non-discriminatory market access to all supply-side and demand-side energy resources
Strategy 2:	Promote operational efficiency in wholesale markets through the exploration and encouragement of the use of software and hardware that will optimize market operations
Strategy 3:	Develop and implement a common set of performance metrics for markets within and outside of ISOs/RTOs
Strategy 4:	Promote broad participation, including the use of alternative dispute resolution services, in the Commission's processes and procedures



Demand response is a change in electric usage by end-use customers from their normal consumption patterns in response to changes in the price of electricity over time, or to incentive payments designed to induce lower electricity use at times of high wholesale market prices or when system reliability is jeopardized.

STRATEGY 1

Establish rules that enhance competition by allowing non-discriminatory market access to all supply-side and demand-side energy resources

Fundamental to the Commission's pursuit of just and reasonable rates is the consideration of both supply-side and demand-side resources in establishing rates and market rules. In competitive energy markets, supply and demand forces work in concert, yielding a just and reasonable rate. The Commission will focus on identifying reforms to market rules related to market access that, if adopted, can improve the competitiveness of the wholesale energy markets. This work is especially important for new or emerging services and technologies, such as demand response, renewable energy, and electric energy storage.

Demand-Side Resources.

The development of demand-side energy resources supports many of the Commission's responsibilities by improving the economic and reliable operation of electric power markets. Demand response, for example, can provide competitive pressure to reduce wholesale electric power prices, increase awareness of energy usage, provide for more efficient operation of markets, mitigate market power, enhance reliability, and, in combination with certain new technologies, support the use of renewable energy resources, distributed generation, and advanced metering. Other types of demand-side resources include distributed generation, electric storage and plug-in electric vehicles.

Barriers to Demand Resources.

The Commission will continue its efforts to identify and eliminate barriers to participation by demand resources in organized wholesale electric markets.

In FY 2009, the Commission issued a national assessment of demand response potential, estimating that the potential for peak electricity reductions across the country is between 38 and 188 gigawatts, up to 20 percent of national peak demand. These savings, if realized, can reduce significantly the number of power plants needed to meet peak demand and thereby reduce carbon emissions by as much as 1.2 billion tons of carbon annually. As part of this analysis, barriers to demand response were identified along with recommendations for overcoming these barriers. The Commission also directed each RTO and ISO to identify barriers to the comparable treatment of demand response resources that are within the Commission's jurisdiction as part of its on-going effort to enhance the operation of organized markets operated by RTOs and ISOs. Building on these efforts and in compliance with Congressional mandates, the Commission will publish a National Action Plan for demand response in FY 2010 that will, among other things, identify requirements for technical assistance and a national communications program, and develop or identify tools and other materials to support the development of demand response.

In FYs 2010 and 2011, the Commission will explore further market reforms that will address barriers to the development of, and otherwise facilitate the integration of, demand resources into wholesale markets. Possible reforms include the development of new ancillary services, standardization of demand response market rules, and implementation of standards for measurement and verification, including standards initiated by the North American Energy Standards Board (NAESB) in FY 2009. The Commission will also encourage the implementation of best practices for demand response products and procedures to help achieve the potential benefits associated with demand response. Similarly, attention will be paid to the methods for compensating demand resources in order to ensure comparable treatment of all resources.

In addition, the Commission will support the development of market rules that permit energy efficiency resources to participate in wholesale markets. Like demand response, energy efficiency has the potential to improve the operation of wholesale power markets by mitigating market power and enhancing reliability. Under current wholesale market rules, there are limited opportunities for energy efficiency to be compensated for the value it creates.

Supply-Side Resources.

Ensuring an adequate supply of energy resources is an equally important factor in the Commission's approach to just and reasonable rates. Entry of new sources of generation increases competition in energy markets, thus supporting the Commission's efforts to ensure just and reasonable rates over the long run.

Renewable Resources.

There is an increasing need to develop renewable energy resources in particular. A majority of states have adopted renewable portfolio standards that require utilities to acquire renewable generating capacity. The use of renewable energy resources to generate electricity has the potential to be a cost-effective means to not only reduce greenhouse gas emissions, but also diversify the fuels used to generate electricity.

The Commission has been responsive to requests for flexibility in how it approaches transmission rate design for "location-constrained" renewable resources, which do not have the flexibility to locate near existing transmission lines. For example, the Commission approved a proposal by Southwest Power Pool (SPP) in June 2009, which allowed SPP to change its transmission cost allocation for wind resources. The Commission anticipates that it will receive similar requests to adopt innovative or flexible approaches to transmission cost allocation and rate design, particularly as more renewable resources seek to interconnect to the grid to satisfy various state renewable portfolio standards.

The Commission will continue to pursue market reforms to allow all resources, including renewable energy resources, to compete in jurisdictional markets on a level playing field. These efforts could include amendments to market rules, the modification or creation of ancillary services and related policies, or the implementation of operational tools that support the reliable integration of renewable resources. If appropriate, the Commission aims to conduct a rulemaking in FYs 2010 through 2011 to support efforts in this area.

Generation Capacity and Ancillary Services.

The Commission also has taken action to ensure the procurement of adequate capacity for future periods in organized competitive markets. The Commission has approved forward-looking, auction-based markets in the PJM Interconnection, L.L.C. (PJM) and ISO-New England regions to allow load-serving entities to procure adequate capacity to meet the long-term energy needs of consumers. In other regions, such as the California Independent System Operator (CAISO) and the Midwest Independent Transmission Operator, Inc. (Midwest ISO), the Commission has approved alternative approaches to the forward-capacity procurement design. While the market mechanisms the Commission approves often vary in design, all are intended to provide incentives to both retain existing generation and encourage the entry of new resources to meet increasing electric supply needs. The Commission will continue to refine operation of forward capacity markets in FY 2011 by acting on related proposals and complaints filed by RTOs, ISOs and interested parties.

As with the operation of forward capacity markets, the provision of ancillary services is also critical to the reliable operation of the interstate electric transmission grid. In Order No. 890, issued in February 2007, the Commission revised the *pro forma* Open Access Transmission Tariff to allow customers to self-supply any ancillary service from any resources that are capable of providing that service (except for those services that, for technical reasons, are required to come from the transmission provider). To build on this reform, the Commission will in FYs 2010 and 2011 consider instituting formal proceedings to determine whether the modification or creation of ancillary services is necessary to support the provision of transmission service on terms and conditions that are just and reasonable and not unduly discriminatory or preferential. As part of any such proceeding, the Commission could seek to remove barriers that may exist to any resource capable of providing an ancillary service from having the opportunity to do so.

Open Access Transmission Tariff and Interconnection Reforms.

Non-discriminatory, open access to transmission services is a principal tenet in the Commission's approach to accomplish its mission. Open access transmission reform contributes to the Commission's goal of removing impediments to competition in the wholesale bulk power marketplace and bringing more efficient, lower cost power to the Nation's electricity consumers. Toward that end, the Commission requires all public utilities that own, control or operate facilities used for transmitting electric energy in interstate commerce to file open access non-discriminatory transmission tariffs.

The Commission will continue to evaluate and make improvements to the open access transmission tariff in FY 2011. An important consideration in recent open access transmission tariff reform is ensuring that demand resources are treated in a manner comparable to other resources in directly contributing to the reliability and efficient operation and expansion of the electric transmission system. The Commission also promotes greater access to the transmission grid for renewable energy and explicitly recognizes the intermittent nature of renewable resources, such as wind. By considering a broader spectrum of supply- and demand-side options such as these, the Commission is enabling more efficient transmission services and grid operations.

The Commission will also address the calculation of available transmission capacity, one of the most critical functions of the open access transmission tariff. This calculation determines whether transmission capacity is available for sale to third parties, which relates directly to competition in the energy market. The Commission determined that the lack of a consistent, industry-wide methodology gives transmission providers the ability and the opportunity to unduly discriminate against third parties.

The Commission directed the industry to use the North American Electric Reliability Corporation and the NAESB processes to reach a consensus on an appropriate methodology and develop necessary reliability standards and business practices. The Commission approved these standards in November 2009 and they are expected to be implemented in FY 2011. Once finalized, the transparent and standard available transmission capacity calculation methodology will lead to improved access to accurate information by customers and will likely increase competition.

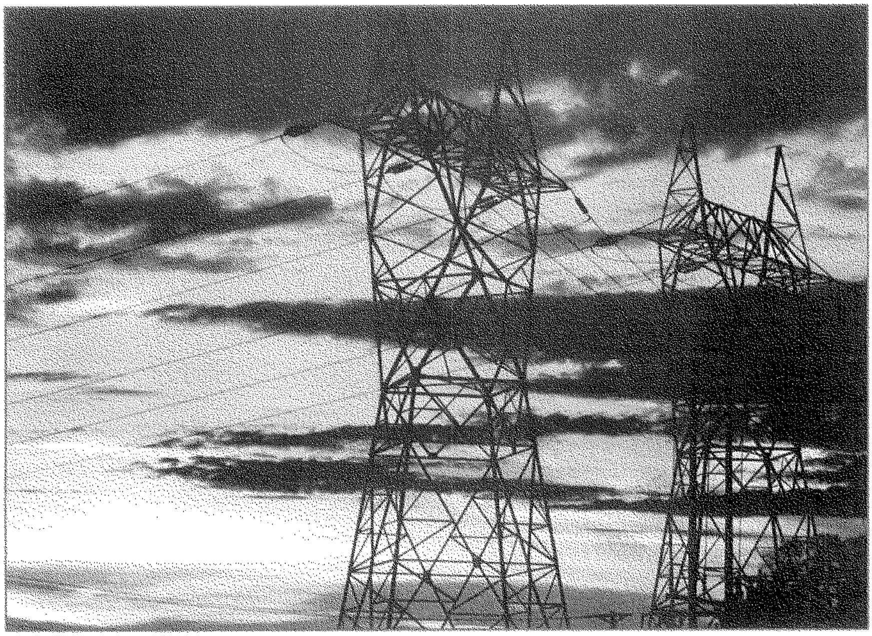
Barriers to trading in energy markets can also be caused by differences in energy market rules and designs, operating and scheduling protocols, and other control-area or natural gas market practices that inhibit or preclude the ability to execute energy transactions that cross organizational/market boundaries. Significant differences in energy products and rules between organizational/market boundaries can reduce competition between suppliers across regions. Commission-supported efforts by industry groups, such as NAESB, address differences in operating and business practices by standardizing business practices in both the natural gas and electric industries. The Commission meets with state regulatory commissions and other governmental and stakeholder entities on a variety of market design, reliability, and operational issues as part of its effort to reduce barriers to trade in energy markets. The Commission also works with stakeholders on issues regarding tariff and business practice implementation.

Interconnection Policies.

To ensure that all generating facilities can interconnect to the transmission grid and obtain transmission services in a fair and timely manner, the Commission has established standardized interconnection procedures. Pro forma interconnection procedures help prevent undue discrimination, preserve the reliability of the nation's transmission system, and lower prices for customers by allowing a variety of generation resources to compete in wholesale electricity markets.

As part of the interconnection policies, the Commission has provided a set of initial comprehensive queue management procedures to ensure fair access to the grid. Experience has shown that queues generally include a large number of requests for projects that are unlikely to be developed. This has clogged the interconnection queues of regional grid operators, sometimes to the point of standstill. This presents a challenge to all generators and is yet another hurdle for location-constrained resources, such as wind and solar power.

To address these ongoing issues, the Commission is working with RTOs and ISOs to develop strategies for managing their queues. The Commission has approved some requests from RTOs and ISOs to deviate from the current standardized interconnection procedures to improve the processing of the queues. The result has been a better integration of markets and the interconnection processes of the regions operated by the six FERC jurisdictional RTOs and ISOs: CAISO; Midwest ISO; SPP; ISO-New England, Inc.; PJM; and New York Independent System Operator, Inc. (New York ISO). Among other benefits, these improvements are also increasing the amount of renewables in the generation mix. In FYs 2010 and 2011, the Commission will continue to adapt its interconnection and queuing policies as well as monitor interconnection queue issues in regions of the country that do not have RTOs or ISOs to determine if reforms are necessary.



STRATEGY 2

Promote operational efficiency in wholesale markets through the exploration and encouragement of the use of software and hardware that will optimize market operations

The utility industry is by nature capital intensive, requiring the use of sophisticated software and significant investment in hardware to optimize market operations. Within the organized markets operated by RTOs and ISOs which often share common features, there are opportunities to enhance efficiency by expanding implementation of best practices throughout those markets. In FY 2011, the Commission will continue efforts to enhance operational efficiency in jurisdictional markets by encouraging public utilities, particularly RTOs and ISOs, to deploy new modeling software and optimize their market operations. These actions will allow more useful and realistic power system modeling that enables increased penetration of renewable generation, demand response resources, electric storage and plug-in electric vehicles.

Investments in energy infrastructure are also needed to meet consumer needs. The transmission grid, for example, is a vast network of interconnected facilities that, while owned by over 500 different entities, must be operated in an integrated fashion in order to reliably serve customers. Improving the utilization of these facilities, including the ways in which the various transmission owners coordinate their operations with each other, has the potential to lower costs to serve customers while also increasing opportunities to integrate renewable generation, demand response, and emerging technologies. The Commission will explore these opportunities, proposing reforms as appropriate.

STRATEGY 3

Develop and implement a common set of performance metrics for markets within and outside of ISOs/RTOs

In Order No. 2000, the Commission encouraged the voluntary formation of RTOs to operate the electric transmission grid and to create organized wholesale electric markets. The development of RTOs and modified market structures was aimed at increasing the efficiency of wholesale electric market operations and increasing non-discriminatory access to the transmission grid. The Commission mandated that RTOs should be independent from market participants, fairly exercising operational authority over all transmission facilities under their control. RTOs design tariffs that are responsive to the needs of their regions, submitting their tariff proposal for review by the Commission. The Commission ensures that RTO and ISO tariffs promote non-discriminatory access to transmission and support just and reasonable rates for energy in their markets.

Today, RTOs and ISOs serve roughly two-thirds of all electricity consumers in the United States by providing transmission service, interconnecting new resources to the transmission grid, and operating markets for the sale of electricity at wholesale. In recent years, the Commission has issued hundreds of orders implementing reforms to the services provided, and the markets operated, by RTOs and ISOs in an effort to enhance competition and increase efficiency.

To support further enhancements to RTO and ISO activities, the Commission in FY 2010 is working with RTOs and ISOs to develop and implement operational and financial metrics to measure the performance of RTOs and ISOs and transactions in the markets they administer. With input and review by the Commission, the ISOs/RTOs have developed and reached agreement on a common list of key performance metrics. The metrics measure performance with respect to a number of areas including reliability standards, customer costs, demand response market penetration, and transmission investment. The ISOs/RTOs are currently in the process of gathering the necessary data for these metrics covering the time period 2005 – 2009. The metrics will be discussed in stakeholder outreach meetings and finalized in a presentation by the ISO/RTO chief executive officers to the Commission in April, 2010. The Commission will also develop a plan for reporting ISO/RTO metric information to Congress. In FY 2011, the Commission will work with utilities in non-ISO/RTO regions to develop metrics that allow for comparisons of the combinations of various market structures.

STRATEGY 4

Promote broad participation, including the use of alternative dispute resolution services, in the Commission's processes and procedures

The Commission recognizes the value of resolving filings involving jurisdictional companies through consensual means and using alternate dispute resolution techniques in the energy markets it oversees. This practice increases the probability of a successful outcome where all parties' concerns are addressed. In fact, approximately 80 percent of the contested proceedings set for hearing at the Commission are settled. The settlement of these cases is enormously beneficial to the energy consumers as it dramatically limits the time, expense and resources that the Commission and outside parties would otherwise need to devote to these cases. Further, the resolution of a case through settlement is likely to be more acceptable to the parties than a litigated outcome, and therefore reduces the likelihood of an appeal. In cases that are not settled, the Commission's trial staff develops a full and complete evidentiary presentation that allows the Commission to make an informed decision and ensure energy consumers only pay just and reasonable rates.

The Commission offers a full range of independent, neutral, third party ADR services within the Commission and to outside parties to prevent, manage, and resolve energy-related conflicts. Going forward, ADR processes and tools will increase in value and popularity to meet consumer needs and fulfill the requirements of complex, multi-disciplinary energy initiatives on the Nation's horizon. In FYs 2010 and 2011, the Commission will apply these concepts to other areas of the Commission's work in order to improve regulatory outcomes. The Commission will begin by identifying issues and proceedings that lend themselves to consensual resolution and conduct a pilot project.

Settlements.

The Commission's trial staff plays an important role in ensuring just and reasonable rates as well as furthering national priorities. A recent uncontested settlement involved the integration of a 180 megawatt (MW) wind generation project into the transmission grid in North and South Dakota.

In another example, the Commission's trial staff resolved the formula rates, customer protections and audit protocols for a major 765 kilovolt (kV) transmission superhighway to be built in Indiana to connect PJM and Midwest ISA (MISO) and facilitate the interconnection of over 4,000 MW of new wind generation. Due to trial staff's efforts, the rates will be in place when the project is approved.

The Commission recently set three natural gas pipeline cases for hearing to determine if the pipelines rates are just and reasonable. The Commission's trial staff will endeavor to settle these proceedings. If a settlement is not achieved, the Commission's trial staff will present expert testimony and exhibits for Commission review. In either circumstance, the Commission will ensure that these pipelines' customers pay just and reasonable rates.

In FYs 2010 and 2011, the Commission will continue these ADR and settlement efforts to further its strategic goal of rates, terms and conditions of service that are just and reasonable and not unduly discriminatory or preferential.

Rate and Tariff Filings by Industry

	FY 2007	FY 2008	FY 2009	FY 2010*	FY 2011*
Electric	3,393	4,880	4,196	4,400	4,200
Gas	1,152	1,281	1,823	1,975	1,800
Oil	511	554	576	700	600

** Projections based on FY 2009 data*

Rate Applications

Electric utilities, natural gas, and oil pipelines are required to have their rates, terms and conditions on file with the Commission. The Commission must review proposed changes and all filed comments before making a determination on whether to accept, accept with modifications, or reject the proposed changes. The Commission may also establish a hearing or a technical conference to give the parties an opportunity for further discussion of the proposed changes.

In addition to the four strategies discussed previously, one of the Commission's core functions is to evaluate rate and tariff filings, including various accounting requirements, and consistently apply rate policies to jurisdictional entities. The Commission encourages the use of market-based rates where the ability to exercise market power is not present, or has been mitigated, and requires cost-based rate structures in wholesale markets where the ability to exercise market power exists. When reviewing cost-based rates, the Commission considers the rate design, the opportunity to recover investments in energy infrastructure, and the fair allocation of costs among ratepayers. In the natural gas industry, the Commission permits the use of negotiated rates for natural gas pipelines that cannot demonstrate a lack of market power.

Related to these filings, the Commission anticipates an increase in requests from regulated entities for accounting guidance related to new technologies. Because of the large number of filings received annually, the Commission dedicates a significant amount of resources to this analysis and will continue to do so in FY 2011.

PERFORMANCE MEASURES AND ANNUAL TARGETS FOR OBJECTIVE 1.1

Further barriers to participation by demand resources in organized wholesale electric markets will be identified and eliminated	
FY 2010	Evaluate ISO/RTO filings on barriers to demand response. Complete and submit National Action Plan on Demand Response
FY 2011	As appropriate, issue Notice of Proposed Rulemaking on further steps to eliminate barriers to demand resources, including steps identified in National Action Plan on Demand Response

Best practices for demand response products and procedures in organized wholesale electric markets will be identified and implemented.	
FY 2010	Perform outreach with ISOs/RTOs, demand response providers, and others. As appropriate, issue Notice of Proposed Rulemaking on best practices
FY 2011	As appropriate, issue Final Rule on best practices.

All resources that are technically capable of providing needed ancillary services have the opportunity to provide those services.	
FY 2010	Perform outreach to identify the need for modification or creation of additional ancillary services, and issue Notice of Proposed Rulemaking, as appropriate
FY 2011	As appropriate, issue Final Rule on ancillary service products and procedures

Pursue market reforms that will allow renewable energy resources to compete fairly in Commission-jurisdictional markets.	
FY 2010	Perform outreach with industry and issue staff white paper identifying potential need for and types of market reforms
FY 2011	Issue Notice of Inquiry/Notice of Proposed Rulemaking on market reforms, if appropriate

Methods for modeling system operations will be enhanced and new software will be developed that increases efficiency and optimizes market operations.	
FY 2010	Internal release of staff white paper; industry outreach, including technical conferences, to identify best practices.
FY 2011	Pursue voluntary adoption of best practices by RTOs/ISOs; if appropriate, issue Policy Statement and/or Notice of Inquiry/Notice of Proposed Rulemaking.

Develop standard set of metrics and analyze results	
FY 2010	Explore and develop appropriate operational and financial metrics for ISOs/RTOs
FY 2011	Explore and develop appropriate operational and financial metrics for non-ISO/RTO regions

OBJECTIVE 1.2: OVERSIGHT AND ENFORCEMENT

Increase compliance with the Commission's rules and deter market manipulation.

The Commission's Oversight and Enforcement program takes proactive steps on a variety of fronts to reduce the probability that violations will occur and to detect problems before they become severe or widespread. To prevent market participants and regulated entities from unknowingly violating the Commission's rules, the Commission works with stakeholders to explain the intent and requirements of its rules. In order to increase compliance with Commission rules, the oversight and enforcement program provides recommendations and guidance to regulated entities through a variety of findings, recommendations, and market analysis.

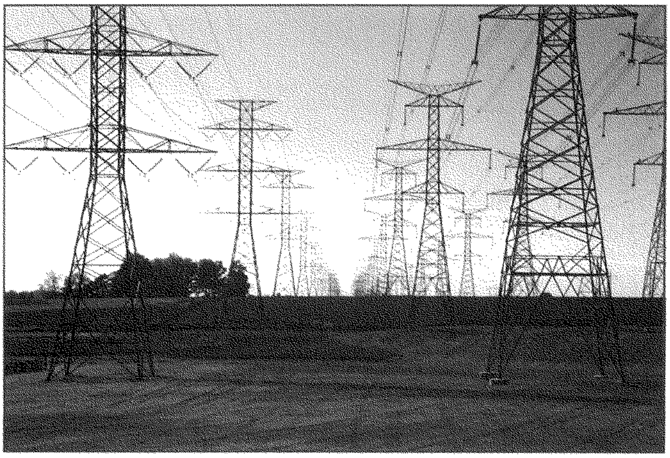
The Commission aims to prevent market conditions that would hurt competition and lead to unjust and unreasonable rates. This entails ongoing reviews of market behavior and results, a deliberate strategy of disseminating findings, and highly sophisticated analysis of market anomalies. These three integrated activities of market oversight provide a comprehensive view of the energy markets to the Commission, state regulators, and the public at large. This practice yields an increased level of confidence from the public, which is critical to properly functioning energy markets.

The Commission also ensures that rates are just and reasonable and not unduly discriminatory or preferential by requiring that financial and market information is recorded in a useful form, transparent, and in compliance with the Commission's accounting regulations. The Commission also improves competitiveness in wholesale electric markets by preventing the accumulation and exercise of market power as it assures proposed mergers, dispositions, and acquisitions are in the public interest and will not have an anti-competitive effect on electric markets.

It is important for the Commission to have clear rules and requirements and fair processes to guarantee that each entity involved in a Commission investigative or enforcement action understands both the applicable rules and regulations and the due process rights available. These key facets of the Commission's enforcement program ensure that enforcement actions are consistent, fair, and can withstand legal challenges.

In addition to its core oversight and enforcement functions, the Commission will focus on two strategies to achieve this objective.

Strategy 1:	Promote internal compliance programs and self-reporting of violations
Strategy 2:	Use a risk-based approach to plan and prioritize audits of jurisdictional companies operations



STRATEGY 1

Promote internal compliance programs and self-reporting of violations

Key Factors in a Vigorous Compliance Program	
1.	Active involvement and support of senior management
2.	Effective preventative measures including accountability, review, and evaluation
3.	Prompt detection, cessation and reporting of violations that occur
4.	Remediation of misconduct

After a 2008 workshop, the Commission issued the 2009 Policy Statement on Compliance and identified four key factors that should be present in compliance programs.

The Commission is committed to encouraging better compliance with statutory and regulatory requirements and will continue to engage the public and the regulated community to encourage comprehensive compliance initiatives. Since FY 2008, the Commission has encouraged regulated entities and market participants in electric and natural gas markets to place more emphasis on their internal compliance protocols.

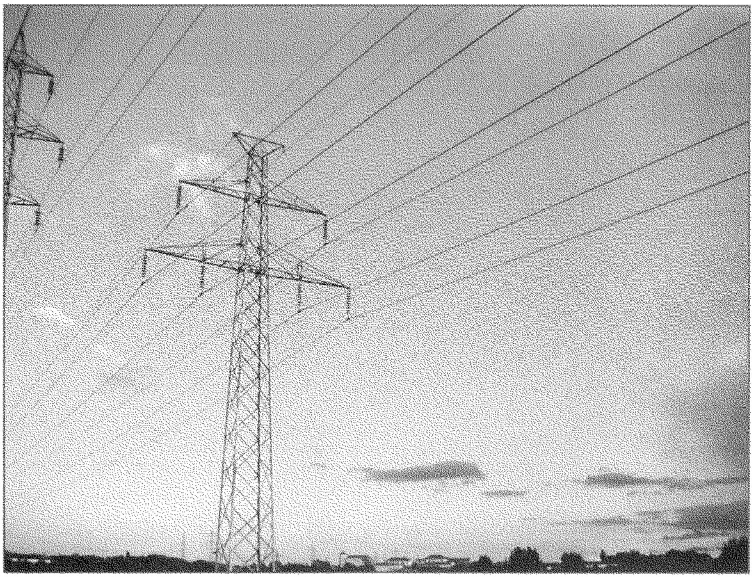
In FYs 2010 and 2011, the Commission will continue to encourage entities subject to the Commission's regulatory requirements to develop robust internal compliance programs and to self-report violations that occur.

Review of compliance programs will be part of the Commission's compliance audits and, as appropriate, will be discussed in publicly available audit reports. The Commission will continue to engage in formal and informal outreach efforts to promote effective compliance programs and to examine compliance practices as a standard component of investigations. In addition, consistent with the 2008 Policy Statement on Compliance, the Commission will give entities credit in determining civil penalty settlements if a vigorous compliance program was in effect when the violation occurred. Where violations do not involve significant harm and where the four key factors of effective compliance practices are present, the Commission may reduce or even eliminate a civil penalty if a violation nonetheless occurs. In these situations, the Commission will make the settlement agreement known to the public in order to encourage others to implement vigorous compliance programs.

The success of these efforts will be measured by the increase in the existence of robust compliance programs by regulated entities. The Commission anticipates that it will find, through its audits and investigations, an increase in the number of entities that have implemented effective compliance practices and protocols that are reflective of a culture of compliance. The Commission further expects that this culture of compliance will lead to entities actively addressing and minimizing areas of systematic noncompliance.

Since issuance of the first Policy Statement on Enforcement in 2005, the Commission has received a significant number of self-reports from regulated entities and market participants. In FY 2009, the Commission received 122 self-reports of violations ranging from minor errors in filing requirements to breaches of clear rules on use of transmission entitlements or capacity release requirements. Many of the self-reported matters are resolved with correction and compliance and without any sanctions, while other more serious matters have resulted in settlements and payment of civil penalties. In FY 2009, the Commission issued eleven orders approving settlements with civil penalties for self-reported matters.

Information gathered from self-reports are provided to the public and regulated entities in annual reports on enforcement activities. The 2009 Report on Enforcement provided illustrative information about 18 self-reports that were closed with compliance but without sanctions. Such information assists regulated entities in indentifying risks to address through their compliance programs and underscores the benefits of self-reporting and voluntary compliance. The Commission expects that as regulated entities and market participants improve their internal compliance monitoring, they will continue to self-report violations.



More than 1,500 companies held market-based rate authority as of July 2009.

STRATEGY 2

Use a risk-based approach to plan and prioritize audits of jurisdictional companies

Operating and maintaining a strong audit program is instrumental in ensuring that jurisdictional companies comply with the Commission's statutes, orders, rules, and regulations. The Commission prepares a plan each year that addresses a variety of audit topics for the upcoming fiscal year. The audit plan represents the Commission's formal plan of action to accomplish its audit goals and objectives.

Audits are planned and prioritized using a risk-based approach in order to maximize the impact of the Commission's resources. The Commission staff will perform a comprehensive review of materials obtained from a variety of sources including, but not limited to, forms filed with the Commission, state commissions, and the Securities and Exchange Commission; rate information gathered from Commission filings; pertinent financial information affecting stock and bond prices; a review of Commission and state rate actions; information gleaned from conversations with industry and state officials; and discussions with Commission senior officials and staff.

Currently, 45 FTEs are responsible for executing the Commission's Oversight and Enforcement audit program. In FY 2009, the Commission completed 33 audits of jurisdictional companies which resulted in 112 recommendations for corrective actions. In FY 2011, the Commission will emphasize larger, multiple-scope audits instead of narrow, single-scope audits. The Commission will focus its audits, in general, on several topic areas.

Affiliated Transactions.

Over the past two years, the Commission's audit program has devoted more of its resources to focus on affiliated transactions. Due to the repeal of Public Utility Holding Company Act of 1935, the Commission amended its merger, accounting, pricing restrictions, recordkeeping, and reporting rules. These audits will help the Commission protect customers from inappropriate cross-subsidization and ensure holding company systems comply with the Commission's accounting, reporting and record keeping requirements.

Order No. 679, Transmission Incentives.

Public utilities that have been granted incentive rate treatment for specific transmission projects must file with the Commission an annual informational report, FERC-730, providing projected and actual investment information. The Commission will audit public utilities' FERC-730 filings to verify they have accurately reported information concerning their actual and projected transmission investments. The audit will also provide the opportunity to inspect the public utilities' books and records to oversee jurisdictional companies' incentive rate mechanisms.

Market-Based Rate Authority.

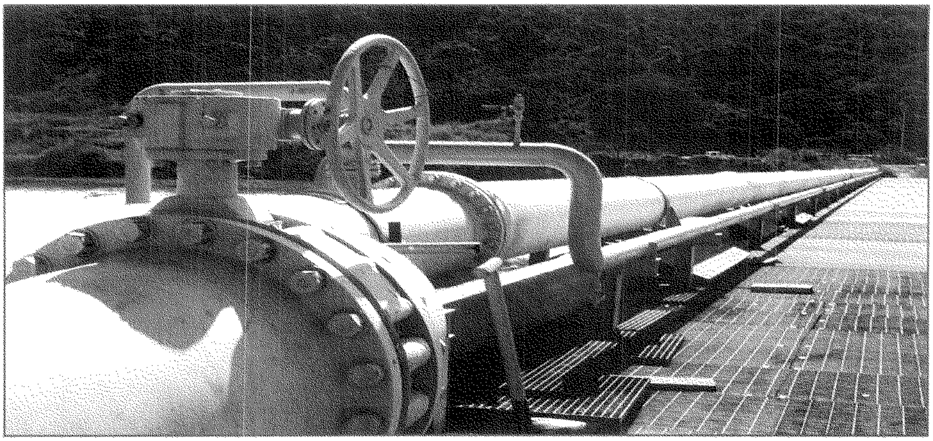
The Commission began market-based rate authority audits to ensure compliance with Order No. 697, which became effective in FY 2008. These audits will increase transparency by verifying that companies are accurately reporting transactional information in electric quarterly reports filed with the Commission.

Gas Tariffs and Contracts.

These audits evaluate natural gas companies' compliance with various Commission regulations and companies' tariff provisions. The Commission reviews contracts and related agreements to ensure natural gas companies file terms or conditions in contracts that deviate from the pro forma service agreement in the company's tariff and that affect the substantive rights of the parties. The audits ensure natural gas companies do not extend discriminatory or preferential terms to favored or affiliated shippers. Additionally, these audits assess the companies' conformity with tariff language that allowed them to recover costs through a tracking mechanism or required them to return revenues collected for penalties or cashing out imbalances. Moreover, these audits ensure the companies collected or returned the appropriate level of expense or revenue, as appropriate.

Accounting and Reporting.

These audits will focus on jurisdictional natural gas companies and public utilities compliance with the Commission's accounting and reporting regulations contained in the Uniform System of Accounts, Annual Reports (FERC Form Nos. 1 and 2); Quarterly Reports (FERC Form No. 3-Q), and related regulations. The audits will also evaluate compliance with the Commission's record retention requirements.



In addition to the two strategies discussed previously, the Commission dedicates resources to other oversight and enforcement activities.

Market Oversight and Analysis.

The Commission's market oversight and analysis program focuses on the wholesale energy markets within its jurisdiction and the markets that affect them. The Commission concentrates on the competitiveness, fairness and efficiency of the natural gas, electric and related energy and financial markets. When market anomalies are detected, the Commission initiates detailed analyses to understand their genesis. The Commission thoroughly reviews publicly available data, contacts the parties involved, and frequently obtains large amounts of data from the relevant parties. If necessary, the Commission will investigate market participants' conduct to identify whether the anomaly is the result of wrong-doing.

The Market Oversight Program
Gather large volumes of data to reflect ongoing market conditions
Validate data to ensure accuracy and relevancy
Process data to uncover meaningful patterns
Develop real-time information capabilities to address rapidly developing situations and emergencies
Identify areas of market intelligence to fill in gaps where available market data is inadequate

Both natural gas and electric energy are traded in a variety of ways in a variety of markets. The market may be as sophisticated as an RTO which runs hourly auctions processing bids for supply and demand while ensuring that minute by minute the most economic resources are sourced to meet load. The market may be as simple as a one-on-one call between a buyer and a supplier to purchase the next month's gas. All of these markets produce vast quantities of raw data.

The Commission relies on the Market Monitoring Center to provide market analysts the data and analytic tools to monitor energy markets. The Market Monitoring Center functions as the hub of data collection from sources such as Energy Security Analysis Inc., Ventyx, Platts, Bloomberg, Bentek, and Cambridge Energy Research Associates. The Commission's enforcement program will, at times, rely heavily on this market oversight staff for its analytical assessments.

The Commission requires 50 FTEs to carry out the oversight and analysis program. In addition, in FY 2011, the Commission will require approximately $600,000 to renew data subscriptions to ensure that these tools remain up-to-date.

Electric Quarterly Report Analysis.

Another component in the Commission's approach to ensuring just and reasonable rates is the financial and market information reporting requirement. The Commission administers, analyzes and ensures compliance with the filing requirements for the Electric Quarterly Report filed by all public utilities, including power marketers. Information collected in the Electric Quarterly Report allows the Commission to consider whether, based on actual sales data, a seller with market-based rate authority has obtained an excessive market share.

The Commission's ex-post analysis of market-based rates is an essential aspect of the market-based rate program. The Commission's initial review when granting market-based rate authority, together with ongoing oversight and timely reconsideration of market-based rate authorization under section 206 of the FPA, enables the Commission to meet its statutory duty to ensure that rates are just and reasonable.[1]

Additional oversight and enforcement resources will be used to conduct more complex analyses. For example, the Commission will conduct a multi-quarter analysis of the ability of sellers to drive up prices for an entire regional market.

The Electric Quarterly Reports are also used for a number of other purposes. The data are used to investigate enforcement complaints involving allegations of market manipulation. The data are also used to assist in corroborating or refuting evidence submitted by sellers seeking to obtain or retain market-based rate authority. Finally, the Electric Quarterly Report data are used to provide critical information regarding market trends, such as the volume of physical transactions in a particular market compared to the volume of financial transactions, prices for short-term sales verses long-term sales, and long-term contracting by qualifying facilities.

Electric Quarterly Report data are compiled in a large and complex database, which includes price, volume and contract data for more than 1,200 filers and 7 million transactions each quarter.

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1. State of California ex rel. Bill Lockyer, Attorney General of the State of California, 125 FERC ¶ 61,016 (2008).

Consistent with its historic practice, quarterly in FY 2011, the Commission will prepare a price analysis to assess whether sellers may be charging excessive rates and will identify transactions out of the range of other contemporaneous sales. These transactions will be carefully scrutinized for evidence that market power is being exercised. Sellers that routinely charge high market-based rate prices relative to other sellers will be identified for further investigation.

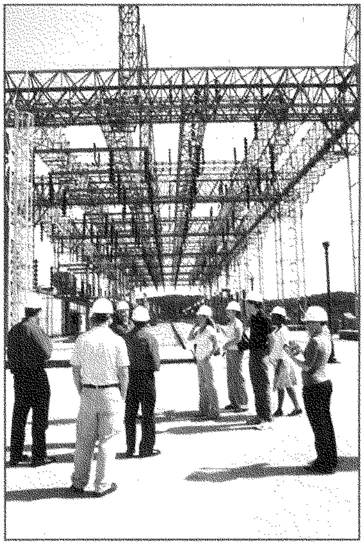
Corporate Activities and Mergers.

As the Commission evaluates and considers corporate activities that electric utilities propose to undertake, it focuses on the control of generation and transmission assets. These considerations are important because the opportunity for exercising market power grows when available supply is low relative to demand or when supply is controlled by only a few entities. In such situations, even an otherwise well-functioning market may not produce rates that are just and reasonable.

The Commission ensures that the disposition, consolidation, or acquisition of jurisdictional facilities is in the public interest by reviewing each proposed transaction to determine its potential effect on rates, regulation, competition, and cross-subsidization. The electric industry is in a state of growth and evolution with new products, services, and types of market participants entering the mix. Keeping abreast of these changes and making sure new market structures and corporate relationships are fully understood is a complex and difficult undertaking. The Commission will manage these intricacies as it works to prevent the accumulation and exercise of market power in the transforming electric industry it regulates.

The Commission is seeing many new issues arising in the area of corporate regulation. There are many non-traditional entities such as financial institutions, hedge funds, investment advisors, and foreign investment companies seeking Commission approval to take equity positions in utilities. While bringing new sources of capital to the utility industry, these types of acquisitions raise difficult issues regarding what level of equity interest may constitute "control" of a public utility and whether having a single entity with ownership interests in multiple utilities raises market power concerns. Because many of these entities are new to the Commission and their involvement in utility securities is evolving, they will continue to present novel, legal and policy issues and challenges.

Work in this area will safeguard the consumer as well as ensure that wholesale rates for electricity and transmission services remain just and reasonable. Market power issues can present themselves in many different ways and the Commission must be prepared to address them. The Commission expects the level of merger activity in FY 2011 to remain roughly the same while acquisition of securities is likely to increase. The Commission will use its resources to protect customers from affiliate abuse and to guard against cross subsidization, to address new issues growing out of the Commission's oversight of public utility holding companies, and to deal with complex issues associated with ownership and control of utility assets by hedge funds and other non-traditional entities.



Investigations and Enforcement.

While the great majority of market participants act in good faith and observe the relevant rules and regulations, there are instances in which some participants engage in manipulative behavior or breach known requirements when it is in their economic interest to do so. When such instances become known by the Commission, staff conducts an investigation.

A growing portion of the investigative staff's time is devoted to examining allegations of fraud, market manipulation, misconduct in organized electric markets and unexplained anomalies in the physical energy markets subject to the Commission's jurisdiction. While investigations are non-public activities, the Commission provides guidance to the regulated community where possible. The Commission has regular interactions with the regulated entities, conducts outreach efforts and publishes reports of alleged manipulation investigations when appropriate. These actions, and the Commission's ability to impose civil penalties or other sanctions, act as a deterrent to fraud, market manipulation and other violations. Furthermore, the Commission's robust investigation, audit and market oversight programs provide potential infrastructure investors reassurance that the markets are actively monitored and rules are enforced, thereby allowing the opportunity for a fair rate of return on their investment.

Depending on its nature and complexity, an investigation can last between three months to well over a year and be staffed by two to ten or more persons. In FY 2009, the Commission opened 10 new investigations, seven of which involved market manipulation. In the same year, the Commission closed 36 investigations, 22 of which resulted in payment of civil penalties totaling $38.3 million and disgorgement payments of $38.7 million plus interest. This continues to build a public record that indicates to the regulated community and the public the consequences of different types of violations. In addition, the Commission issues the Annual Report on Enforcement to inform the public about the Commission's enforcement activities (http://www.ferc.gov/legal/staff-reports/12-17-09-enforcement.pdf).

Expanded Focus of Market-Based Conduct.

The Commission has continued to place additional emphasis on its investigations and enforcement activities on conduct that impairs or disrupts the functioning of competitive markets. As compared with other types of investigations, manipulation cases can take three or four times the number of FTEs. In addition, it may be necessary to retain special outside expertise for these cases. Unlike most regulatory issues, litigation of alleged market manipulation involves expert analysis of extremely complex trading activity, discovery of often well-hidden actions by sophisticated market traders, and the interpretation and application of relatively new anti-manipulation authority.

In FY 2009 the Commission accepted 22 settlements including two settlements resolving major manipulation cases, Amaranth Advisors LLC and Energy Transfer Partners, LP. The parties in Amaranth, with the exception of one trader, settled for a civil penalty of $7.5 million; an amount that reflected the adverse financial circumstances of the settling parties. Energy Transfer Partners settled for a civil penalty of $5 million and the creation of a $25 million disgorgement fund to be dispersed under supervision of a Commission Administrative Law Judge. The litigation costs to the Commission were substantial, both in terms of FTEs dedicated to these cases and the fees for expert consultants. Anticipating similar cases in FY 2011, the Commission is requesting $1 million for consultant fees.

While the Commission will adjust and be prepared for the projected increase in litigated matters, it will continue to pursue fair settlement agreements in enforcement actions where possible.

Enforcement Hotline.

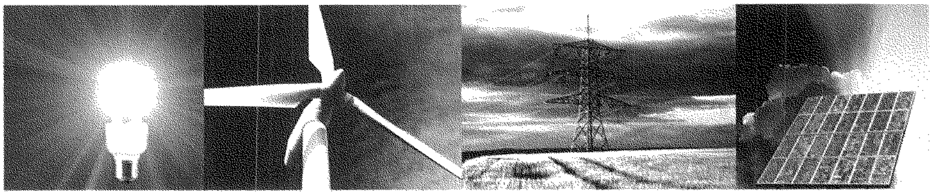
The Commission operates an Enforcement Hotline whereby the public or industry participants can confidentially and anonymously provide information to the Commission concerning potential regulatory violations, market anomalies, or market participant misconduct. The Commission receives approximately 500 calls annually; often resulting in an informal resolution of disputes. However, the Commission currently has nine open investigations that originated from the Hotline.

PERFORMANCE MEASURES AND ANNUAL TARGETS FOR OBJECTIVE 1.2

Percent of company compliance programs reviewed on Commission audits for the audit focus areas are found to be adequate to demonstrate a culture of compliance.	
FY 2010	10%
FY 2011	25%

Percent of company compliance programs reviewed through investigations that involve a penalty are found to be sufficiently robust to merit credit to reduce the penalty.	
FY 2010	10%
FY 2011	25%

Percentage of audits included in the audit plan planned based on risk.	
FY 2010	40%
FY 2011	60%



GOAL 2: INFRASTRUCTURE

Promote the development of safe, reliable, and efficient infrastructure that serves the public interest.

Funding and FTE Breakout for Strategic Goal 2

(Dollars in Thousands)

	FY 2009 Actual	FY 2010 Estimate	FY 2011 Request	% (+/-) FY 2010 to FY 2011
Total Goal 2 Funding	**$118,006**	**$131,291**	**$140,214**	**6.8%**
Objective 2.1	**$68,494**	**$68,669**	**$72,667**	**5.8%**
Program	58,126	58,181	61,645	6.0%
Support	10,368	10,488	11,022	5.1%
Objective 2.2	**$30,457**	**$31,053**	**$32,525**	**4.7%**
Program	25,566	26,032	27,253	4.7%
Support	4,891	5,021	5,273	5.0%
Objective 2.3	**$19,055**	**$31,569**	**$35,021**	**10.9%**
Program	16,349	26,384	29,420	11.5%
Support	2,706	5,185	5,601	8.0%
Total Goal 2 FTEs	**573**	**659**	**664**	**0.8%**
Objective 2.1	**330**	**334**	**334**	**0.0%**
Program	273	275	275	0.0%
Support	58	59	59	0.0%
Objective 2.2	**156**	**160**	**160**	**0.0%**
Program	129	132	132	0.0%
Support	27	28	28	0.0%
Objective 2.3	**86**	**165**	**170**	**3.0%**
Program	71	136	140	2.9%
Support	15	29	30	3.4%

Note: Numbers in table may not add due to rounding.

The Commission has an important role in the development of a strong energy infrastructure that operates efficiently, safely and reliably. The Commission's infrastructure siting authority rests in licensing non-federal hydropower projects, certificating interstate natural gas pipelines and storage projects, authorizing LNG facilities and, in certain circumstances, permitting electric transmission lines. Throughout all of these processes, the Commission's goal is to expedite application processing without compromising environmental responsibilities or public participation. Reconciling these competing interests, however, remains a significant challenge to all of these processes. The Commission believes that issues are best addressed openly and early in the application process, and the Commission encourages, and sometimes requires, project proponents to engage in early involvement of state and federal agencies, Indian tribes, affected landowners, and the public.

In addition to its siting authority, the Commission is working towards improving the efficiency of the Nation's infrastructure. The use of advanced technologies on the electric transmission system can, for example, decrease line losses or enable customers to reduce or shift demand. The Commission is also responsible for the safety of LNG and non-federal hydropower facilities throughout the life cycle of a project (design review, construction and operation), relying heavily on physical inspections of the facilities throughout these phases. The Commission is also responsible for the protection and improvement of the reliability and security of the Nation's bulk-power system, based on enforcement of the Reliability Standards by the Commission-certified ERO, and the eight Regional Entities, subject to Commission review. The Regional Entities, using authority delegated by the ERO and approved by the Commission, oversee compliance by the almost 1,800 users, owners, and operators of the Nation's bulk-power system.

OBJECTIVE 2.1: Infrastructure Development and Siting

Increase efficient infrastructure consistent with demand.

Efficient energy infrastructure includes both economic and operational efficiencies realized from, among other things, the use of new technologies as well as procedures. The Commission will promote its goals in several ways including encouraging the use of advanced technologies, providing incentive rates where appropriate, and promoting transmission planning where all stakeholders' needs are addressed. In addition to its core infrastructure authorities, the Commission will focus on three strategies to achieve this objective.

Strategy 1:	Encourage new electric transmission facilities that advance efficient transmission system operation
Strategy 2:	Support electric transmission planning through the use of open and transparent processes that include analysis and consideration on a comparable basis of proposed solutions involving any of generation, transmission, and demand resources
Strategy 3:	Promote efficient design and operation of natural gas facilities

STRATEGY 1

Encourage new electric transmission facilities that advance efficient transmission system operation

The lack of adequate transmission facilities creates a significant barrier to trade between markets and among regions. Furthermore, the Nation's electric grid largely uses decades-old technology and has not extensively incorporated new digital technologies.

Smart Grid.

Although digital technologies have transformed other industries, a similar change has not occurred for the electric grid. The Commission has dedicated its resources to encouraging the development and deployment of new transmission technologies. Advancements in smart grid, as it's often referred to, have the potential to improve reliability, security and efficiency of the bulk-power system and realize the efficiency improvements that are possible on the utility side of the meter.

In order to support the development of smart grid technologies, the Commission must act on uniform standards and protocols to ensure that the multiple components of the smart grid are able to communicate and operate with one another seamlessly. Section 1305 of EISA directs the Commission to adopt standards and protocols to govern the implementation of smart grid technologies that can enhance reliability and efficiency in the operation of the Nation's electric grid. In FYs 2010 and 2011, the Commission will support the deployment of smart grid applications by reviewing and adopting, as appropriate, standards and protocols developed by the NIST.

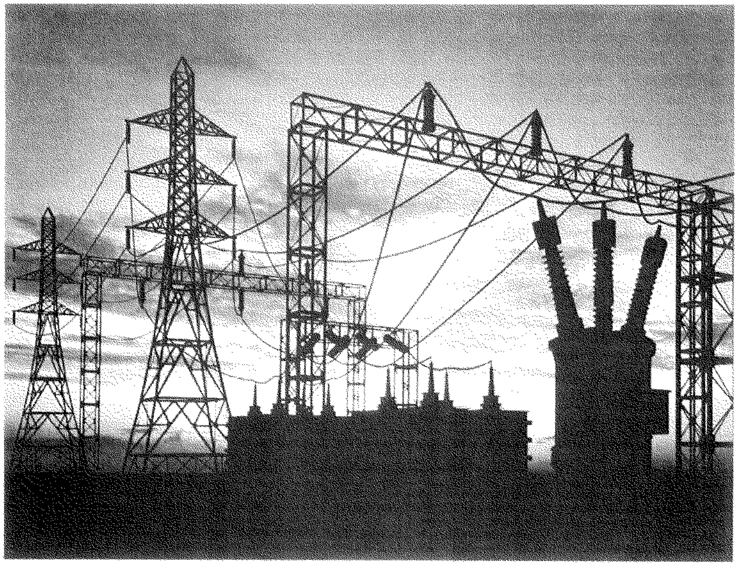
Historically, utilities have been reluctant to invest in smart grid applications until relevant standards and protocols governing use of the technology are finalized. In order to encourage the early advancement of smart grid technologies as standards are being finalized, the Commission has adopted rate policies that provide for recovery of investments that meet certain specified criteria. The Commission will continue to review and act on proposals for such rate recovery in FY 2011, thereby supporting the number of transmission projects that incorporate advanced technologies as they are developed.

Incentive Rates.

To encourage greater investment in the Nation's transmission infrastructure, the Commission, pursuant to a legislative enactment, allows incentive rate treatment for transmission infrastructure investments that meet certain conditions. Incentive rate treatments, including recovery of increased return on equity, accelerated recovery of depreciation, and recovery of the cost of plant cancelled for reasons beyond the utility's control, aim to promote reliability and reduce transmission congestion.

Since the issuance of Order No. 679 in 2006, the Commission has approved 51 proposals for incentive rate treatment for 56 projects to build over 10,700 miles of transmission lines, at a total cost of approximately $44.8 billion. Requests for incentive rates are expected to continue through FY 2011, based on the continued need for increased investment in the interstate power grid to ensure reliability, support competitive wholesale power markets, and increase the development of location constrained renewable resources.

The "smart grid" concept involves automating the electric grid by outfitting it with smart controls, two-way communications systems, and/or sensors. This has the potential to reduce power consumption through demand response, facilitate grid connection to renewable resources and distributed generation, enable the deployment of storage technologies, and improve grid reliability.



STRATEGY 2

Support electric transmission planning through the use of open and transparent processes that include analysis and consideration on a comparable basis of proposed solutions involving any of generation, transmission, and demand resources

Although ownership of the interstate transmission grid is highly disaggregated, with more than 500 owners, transmission expansions must be considered not only on a local basis, but also on a regional and sub-regional basis. To ensure that needed transmission is developed with the interests of all stakeholders in mind, the Commission requires that all public utilities establish and participate in an open and transparent regional transmission planning process. In the regions under their control, RTOs and ISOs manage these transmission planning processes, which aim to improve the coordination of transmission planning among utilities and to support the development of an efficient transmission system. To that end, the Commission requires RTOs, ISOs and public utilities to consider alternatives to developing additional transmission infrastructure offered by developers during the formulation of a transmission plan, including energy efficiency and demand response.

As a result of this strategy, public utilities will continue to follow planning processes that consider both reliability and economic needs, on a local and regional level. This is intended to contribute to the construction of much-needed transmission, as well as support competitive markets by reducing barriers to trade between markets and among regions. Coordinated transmission planning processes will also increase the availability of non-discriminatory access to transmission services, and increase access to renewable generation sources.

The Commission continually monitors and reforms as necessary its transmission planning process requests. In September 2009, the Commission convened three regional conferences on transmission planning. The conferences focused on existing transmission planning processes, including discussion of the progress of current processes. Conference participants considered emerging challenges to the transmission system, seeking to determine whether current processes consider regional needs in a sufficient scope to ensure adequate and reliable supplies of electricity at just and reasonable rates. Following the conference, the Commission received thousands of pages of comments to inform the development of further reforms, possibly through a rulemaking proceeding in FY 2010. The implementation of any such reforms adopted would extend to FY 2011 and beyond.

STRATEGY 3

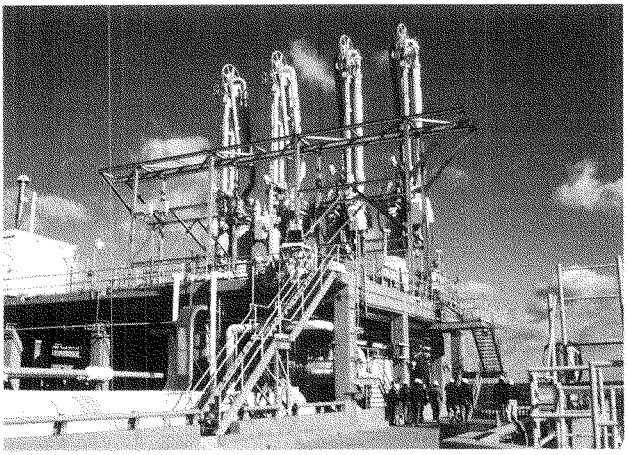
Promote efficient design and operation of natural gas facilities

As a result of recent industry initiatives, in FY 2009 the Commission began examining the design and operation of jurisdictional natural gas facilities, and started exploring ways to improve and promote greater efficiency at these facilities. To begin with, Commission staff issued data requests to those companies with pending certificate applications before the Commission relating to opportunities for waste heat recovery at compressor stations. Additionally, staff reviewed the Interstate Natural Gas Association of America's February 2008 White Paper. This paper addressed applicability thresholds for various waste heat recovery opportunities for interstate natural gas pipelines and led the Commission to begin work on its own internal engineering studies which further explored energy efficiencies across the natural gas pipeline grid, as well as the electric grid.

As a result of these activities, the Commission has positioned itself to begin studying the feasibility of installing waste heat recovery systems in jurisdictional natural gas facilities. This system is important because it has the potential to allow the industry to transform a current waste product - otherwise lost into the atmosphere - into additional electricity for the United States.

In FYs 2010 and 2011, Commission staff will conduct bimonthly reviews of Electronic Bulletin Boards (EBBs)[2] to gauge participation across the industry. Companies are not currently required to post information regarding waste heat feasibility on their EBBs but the Commission expects that all companies will voluntarily post this information so that there is greater transparency across the industry. Staff will also review the FERC Form 567, annual flow diagrams, to identify which companies have facilities that may be candidates for waste heat recovery efforts. Working alongside and with Interstate Natural Gas Association of America's, the Commission will meet with other industry representatives to discuss and gain feedback on these efforts. Finally, the Commission will have to address the potential flow implications of taking compressors out of service for installation of waste heat recovery facilities while facilities balance their stated contracts.

Waste heat recovery is the process of collecting the waste heat emitted from compressor units as a by-product of combustion, and then using that heat to run generators and create electricity.



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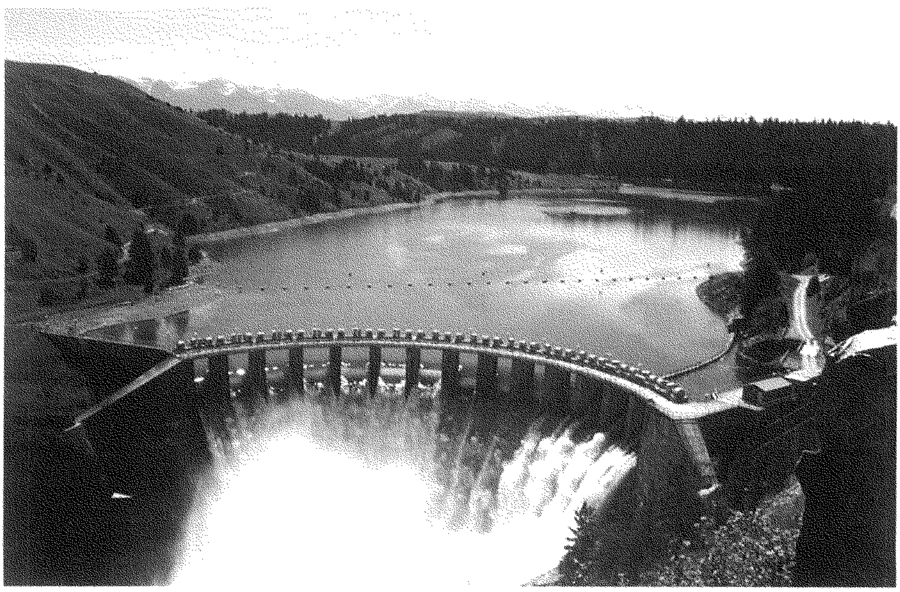
[2] EBBs are internet sites where pipeline companies must post certain information to be in compliance with Part 284.12 and 284.13 of the Commission's regulations.



In addition to the three strategies discussed previously, the Commission will continue to play a key role in the development, siting, and regulation of infrastructure, in accordance with its statutory responsibilities.

Hydropower.

Hydropower is an essential component of the Nation's energy portfolio and offers the benefits of a renewable, domestic energy source that supports efficient, competitive electric markets by providing low-cost energy reserves and ancillary services. Hydropower projects also provide other public benefits such as managed water supply, recreation, economic development, and flood control while minimizing adverse impacts on environmental resources.

The Commission's hydropower responsibilities include: issuance of licenses for the construction of a new project (original licenses) or for the continued operation of an existing project (relicenses), including any primary transmission line; and oversight of all ongoing project operations, including dam safety inspections[3], environmental monitoring, and ensuring compliance with license requirements.

Approximately 120 FTEs are required to carry out the Commission's hydropower licensing and compliance programs.

Pre-Filing.

The pre-filing process typically begins three years prior to the filing of a license application.[4]

The Commission expects to process 44 pre-filing applications in FY 2011. While the overall number of pending projects will be down in FY 2011 as compared to FY 2009, the majority of these projects will be in the first year of pre-filing, which is the most resource intensive period during the process. Throughout this time, Commission staff will meet with stakeholders to develop study plans and ensure that the licensing proposal will be considered "complete" by the time the application is filed. Also during this process throughout FY 2011, the Commission expects to attend 27 public information meetings, conduct 18 site visits, and participate in numerous tribal consultations. In addition to staff time, the Commission is requesting $200,000 for contractor assistance in processing two pre-filing applications.

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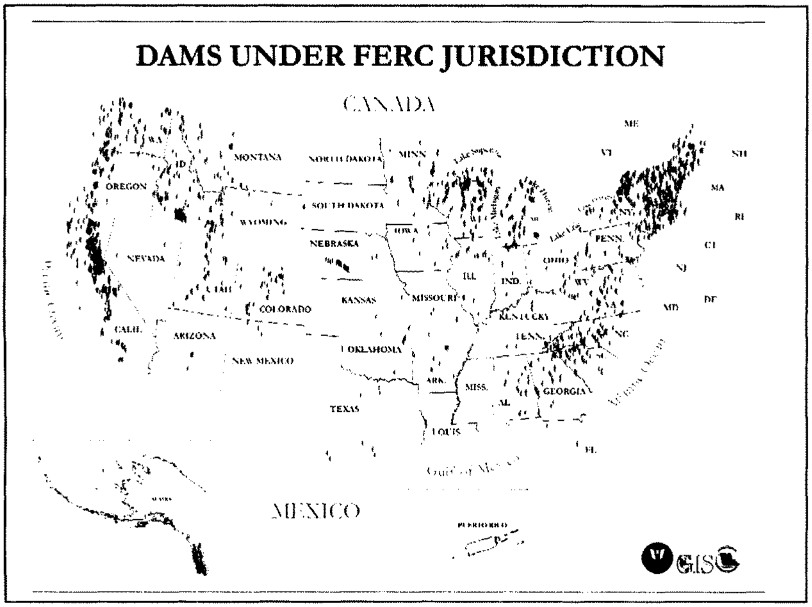
[3] The Commission's dam safety program is captured in Objective 2.2: Safety.

[4] A relicense application must be filed with the Commission no later than two years before the license expires.


DAMS UNDER FERC JURISDICTION

The Commission regulates over 1,600 non-federal hydroelectric projects at over 2,500 dams and impoundments. Together, these projects represent 54 gigawatts of hydroelectric capacity, more than half of all the hydropower in the United States.

Applications.

Commission staff conduct environmental analyses for all filed license applications. The Commission is responsible for ensuring that the environmental document analyzes the project's effects on recreation, fisheries, wildlife, water quality, wetlands, and cultural resources and makes recommendations for the protection, mitigation, and enhancement measures to be included in any license issued.

Of the 89 potential original license applications, 59 of those applications are expected to be for projects proposing to use hydrokinetic technologies. Right now, there is increased interest in hydrokinetic projects, along with pumped storage and small, low-impact conventional projects as a result of high oil prices, market forces, growing interest in lower-emissions, domestic and renewable energy sources, state renewable portfolio standard policies, and federal incentives. It is uncertain, however, whether these technologies will be ready for commercialization by FY 2011. If they are not, the number of license filings for hydrokinetic projects could decrease substantially.

In FY 2009, the Commission acted upon 18 applications representing a total capacity of 1,361.50 MW; that number is expected to rise to 25 applications in FY 2011. In order to adhere to the timeframes established by the integrated licensing process and continue processing applications in a timely manner, the Commission will require contractor assistance to perform analyses and prepare environmental documents. Based on FY 2009 estimates, the Commission will use contractor assistance for thirteen Environmental Impact Statements and four Environmental Assessments for a total cost of $3,500,000.

In addition to license applications, the Commission also processes preliminary permit (permit) applications. Permits allow a permit holder to have access to and to study a particular site for up to three years. A permit also guarantees

	FY 2009	FY 2010	FY 2011
Number of Original Licenses Applications Pending	25	60	89
Number of Relicense Applications Pending	64	61	23
Number of 5-MW Exemption Applications Pending	5	3	5

the permit holder the "first-to-file" status for a particular site in cases where multiple applications are received by the Commission for a hydropower license. A permit does not authorize construction, nor is a permit required to apply for, or receive, a license. The overall complexity and number of permit applications has almost doubled over the past three years. The increase in the number of these applications, and their expected continuing upward trend, can be attributed to the current and near-term positive regulatory climate, new hydro technology research, and sustained and overwhelming indications that further legislation will be enacted requiring a larger percentage of renewable energy sources in the future.

Environmental and Engineering Compliance.

Hydropower licenses issued by the Commission include terms and conditions that are designed to protect, mitigate, and enhance the environmental resources of project areas. These terms and conditions address such things as water quality, land use, wildlife, water supply, flood control, erosion control, endangered species, recreation, cultural resources, and fish habitat and passage.

As specified by the issued license, licensees are required to implement specific environmental and operational measures, generally after filing detailed plans, proposals and reports regarding the implementation of the measures. In addition, licensees proposing to undertake certain activities not already authorized by the project license must file amendment applications. When changing conditions make meeting their license requirements impossible, licensees also must file for a modification of their license requirement.

The Commission processes these filings, preparing environmental assessments and engineering reports as necessary for reviewing license amendments. The Commission works collaboratively with the licensees and other stakeholders to ensure timely review for adequacy and on-site implementation.

Over the past two years, the number of compliance actions has increased by approximately 30 percent. Prior to this period, a typical license contained between 20 – 25 requirements; however, the number has increased to 40 – 60 requirements per license. Many of these additional requirements have resulted from complex settlement agreements, an increasing number of mandatory conditions set forth in Water Quality Certificates, and 4(e) conditions.[5]

Due to increases in demand for water resources and severe droughts that have plagued many parts of the country, there have been numerous requirements inserted into licenses dealing with drought contingency plans and resource protection plans for endangered species, wetlands, and riparian areas. To protect the environment and deal with increasing populations living around or recreating at hydropower projects, many licenses now require shoreline or land management plans which combine numerous conditions in one extensive plan and require a multidisciplinary approach for reviewing such plans.

To keep up with these compliance actions, the Commission is requesting $1,000,000 in FY 2011 to procure contractor support to assist staff in preparing two headwater benefits studies and 22 Environmental Assessments relating to additional capacity, water withdrawals and land/marina use amendment applications.

Environmental Inspections.

The Commission's on-site environmental inspection program evaluates and assesses implementation and compliance with the environmental and public use requirements of licenses to ensure protection and enhancement of resources at each project. On these inspections, staff identifies common problem areas, enforces the terms and conditions of each license, and assists the licensees with staying in compliance. In FY 2011, the Commission projects conducting approximately 125 environmental inspections, requiring $300,000 of contractor support to supplement Commission staff in these inspections.

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[5] Under Section 4(e) of the Federal Power Act, 16 U.S.C § 797(e), FERC must consider environmental requirements for licensing a project within a federal reservation. A federal reservation under the Act is a technical term, defined generally as a national forest, tribal land, military reservations, and other lands and interests in lands reserved for other public purposes. They include any lands and interests in lands acquired and held for any public purposes by the federal government (they do not include national monuments or national parks, where hydropower licensing is prohibited).

Natural Gas Pipelines & Storage Projects.

The Commission is responsible for reviewing applications for the construction and operation of natural gas pipelines and other related facilities.[6] To meet the growing demand for natural gas, the Commission must respond to these applications in a timely manner. As in hydropower and electric transmission siting, the pre-filing process engages stakeholders in the identification and resolution of concerns prior to a company filing a certificate application with the Commission. The Commission staff's participation and initiative in these efforts allows for the filing of more complete certificate applications and enables more efficient and expeditious determination by the Commission. As part of the natural gas pipeline certificate application process, the Commission reviews applications for embedded accounting issues in pipeline construction, acquisition purchase, and abandonment transactions. Commission staff will identify deficiencies in proposed accounting and recommends appropriate corrective action. These reviews of accounting in certificate filings provide greater certainty to pipelines by providing upfront guidance on accounting entries prior to the pipeline seeking formal Commission approval.

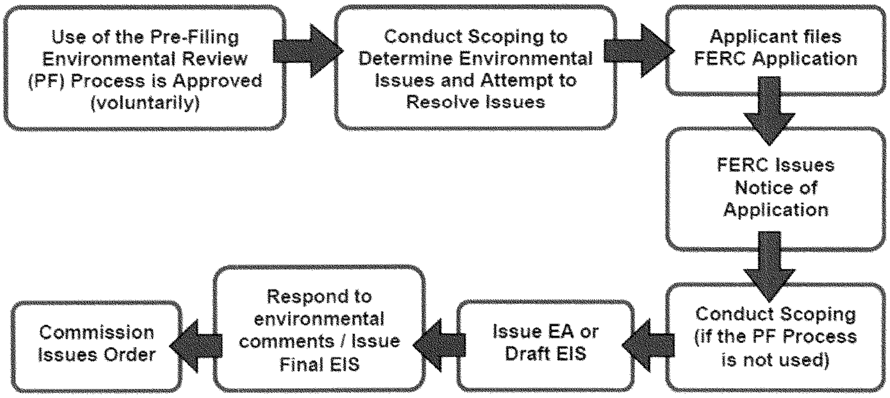
Applications.

In FY 2009, the Commission authorized 25 natural gas pipeline projects which resulted in over 348 miles of additional pipeline and 404,686 horsepower of compression. The Commission also authorized 16 storage projects resulting in 5.7 billion cubic feet of peak day deliverability and 157.2 billion cubic feet of storage capacity, 93.82 miles of connecting pipeline and 194,601 horsepower of compression. In FY 2011, the Commission expects that the number of natural gas pipeline applications will remain constant and the rate of processing the applications will remain steady. Approximately 80 FTEs are required to carry out the Commission's natural gas pipelines and storage projects programs.

Alaska Natural Gas Pipeline Project.

The Commission has been fully engaged in the pre-filing review[7] of at least two proposals to construct and operate an Alaska natural gas pipeline, extending from the North Slope of Alaska to the Alaska-Canada border. The Commission will continue to be involved in pre-filing reviews of these initiatives that will involve up to seven weeks of on-site work in Alaska by the Commission staff. Based upon the current trends in the lower United States production of natural gas, especially increased production from shale, and the potential reductions of natural gas imports from Canada, the Alaska Natural Gas Pipeline Project has the possibility of providing seven percent of the total United States natural gas supply by 2030.[8]

Process for Natural Gas Certificates


Use of the Pre-Filing Environmental Review (PF) Process is Approved (voluntarily)
Conduct Scoping to Determine Environmental Issues and Attempt to Resolve Issues
Applicant files FERC Application
FERC Issues Notice of Application
Conduct Scoping (if the PF Process is not used)
Issue EA or Draft EIS
Respond to environmental comments / Issue Final EIS
Commission Issues Order

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6. Once natural gas pipeline projects become operational, safety is regulated, monitored and enforced by the Department of Transportation.
7. FERC activities will include: familiarizing staff with the project area, attending the project sponsor's stakeholder outreach meetings, conducting Native Alaskan consultation, viewing the route and alternatives, meeting with federal and state agencies and stakeholders, holding NEPA scoping meetings, identifying data gaps, and evaluating the application for completeness. In addition, the Commission will be reviewing filings by the project sponsors to approve their open season proposals as well as monitor the results of the open season(s).
8. See Table 14, Reference Case Tables, Annual Energy Outlook 2009, Energy Information Administration.

Environmental Inspections.

The Commission includes environmental protection, mitigation, and enhancement measures in authorizations for natural gas pipelines and storage facilities. While facilities are under construction, Commission staff conducts inspections at least once every 28 days to insure adherence to the prescribed environmental measures. In FY 2009, the Commission staff conducted 803 pipeline facility compliance inspections; including 77 percent of these inspections which were completed by contractors. The Commission expects to maintain the same amount of project review and the associated compliance inspection activities in FY 2011. Thus, the Commission will require contracted resources, estimated at $665,000.

Outreach.

The Commission regularly hosts industry training seminars which provide guidance and insight on compliance-related matters. These sessions are attended by state, local and federal agency officials, natural gas pipeline companies, and consulting firm staff and provide an opportunity for open dialogue between the Commission staff and these stakeholders. These sessions provide information on the filing requirements for environmental reports, reporting requirements for blanket certificate projects, new regulations, overview of the Commission's Wetland and Waterbody Construction and Mitigation Procedures, and more. In FY 2011, the Commission proposes to conduct six seminars. The use of contractor support will be required for the planning and implementation of these sessions for a total cost of approximately $330,000. These heavily attended seminars are instrumental to the understanding and successful adherence to the Commission-issued certificates and authorizations. In addition, the Commission will conduct outreach whenever the opportunity or need presents itself in FY 2011. In FY 2009 Commission staff undertook several non-project specific outreach initiatives such as a multi-agency informational meeting in Pennsylvania[9] and a Pipeline Siting and Stakeholder Involvement Workshop held at the FERC Headquarters in Washington, DC.

LNG Facilities.

The Commission's LNG responsibilities include: analyzing the cryogenic design of proposed LNG plants, reviewing site compliance with federal safety standards, coordinating with the US Coast Guard on waterway suitability assessments for LNG import/export terminals, completing post-authorization final design review, reviewing design change requests, approving compliance with conditions, and conducting construction and operation inspections.[10]

Pre-Filing & Applications.

In FY 2009, the Commission reviewed two projects in the pre-filing process, four applications for new or modified import terminals, and one new-peak shaving facility. By FY 2011, the Commission expects to have incorporated enhanced modeling capabilities to assist in the review of LNG applications. The improved modeling capabilities will enable the Commission to make better risk-informed decisions and form a comprehensive response to public concerns. Similar to FY 2009, the Commission will require $220,000 of contractor assistance to aid in the cryogenic review of LNG applications in FY 2011.

Seismic Design Issues.

In areas with high seismic potential, and, consequently, significant seismic design requirements, the Commission has begun imposing a condition requiring the proponents of LNG terminals to retain a three-member Board of Consultants to review the final proposed geotechnical and seismic design measures. Commission staff will need consulting engineering support to assist in evaluating the Board's recommendations. Consultants will participate in Board meetings, review design material and advise the Commission on final design approvals. There are currently two approved LNG projects with a requirement for the Board of Consultants. Both of these projects are expected to move towards construction in FY 2011. Consequently, the Commission will require $356,000 in contractor resources for seismic-related activities.

Electric Transmission Siting.

The Commission has limited jurisdiction over the siting of electric transmission facilities. The Commission's jurisdiction is applicable when two conditions are met: 1) the proposed facility is located in a National Interest Electric Transmission Corridor, as designated by the Secretary of Energy, and 2) the state(s) withhold approval for more than one year, do not have the authority to site transmission facilities, or cannot consider interstate project benefits of facilities proposed to be constructed in a National Interest Electric Transmission Corridor. A recent court decision has limited the Commission's authority by finding that a state's denial of an application to site a facility does not constitute "withholding approval."

The Commission will review each transmission siting application to ensure that it: is consistent with the public interest; will be used for transmission in interstate commerce; will significantly reduce transmission congestion and will protect or benefit consumers; is consistent with sound National energy policy and will enhance energy independence; and will maximize the transmission capabilities of existing towers or structures to the extent reasonable and economical. The Commission will further assess the transmission siting applications within the National Interest Electric Transmission Corridors against any objections or alternative arguments from interested parties. The Commission will include in its public interest review an analysis of the impact the proposed facilities (or their absence) will have on the reliability of the bulk-power system.

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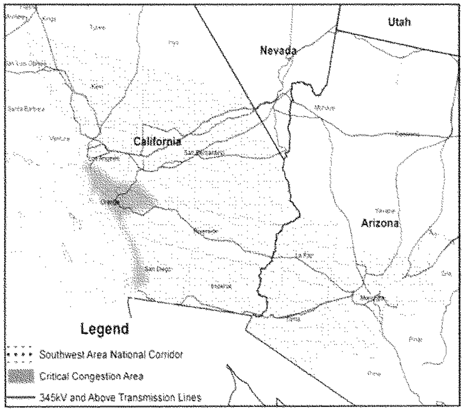
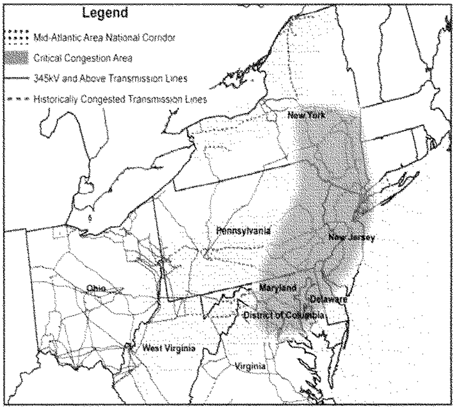
[9] The outreach activities in Pennsylvania, held in conjunction with Federal and state agencies, were in anticipation of several potential proposals in that region and were well received by the participants.

[10] Construction and operation inspection activities will be addressed in Objective 2.2.

Proposed electric transmission siting projects will undoubtedly be contentious and complex. Based on current projections, the Commission expects that by FY 2011, staff may be processing up to five electric transmission siting applications, in either the pre-filing or application phases.


Utah
Nevada
California
Arizona
Legend
Southwest Area National Corridor
Critical Congestion Area
345kV and Above Transmission Lines



PERFORMANCE MEASURES AND ANNUAL TARGETS FOR OBJECTIVE 2.1

Percentage of all new transmission projects will incorporate advanced technologies that meet Commission criteria.	
FY 2010	5%
FY 2011	10%

All public utilities will implement open and transparent transmission planning processes that include analysis and consideration on a comparable basis of proposed solutions involving any of generation, transmission, and demand resources.	
FY 2010	Assessment of transmission planning process best practices, including the potential for collaborative decision making, and issue Notice of Proposed Rulemaking, as appropriate[11]
FY 2011	As appropriate, issue Final Rule on transmission planning process best practices

Percent of jurisdictional natural gas companies examined for feasibility of installing waste heat recovery systems.	
FY 2010	20%
FY 2011	40%

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[11] Assessment includes how options to transmission are considered.

OBJECTIVE 2.2: Safety

Minimize risk to the public.

The Commission is responsible for the safety of LNG and non-federal hydropower facilities throughout the entire life cycle of a project: design review, construction and operation. Approximately 142 FTEs are required to carry out the components of the Commission's safety related programs, supplemented by a total of approximately $1,300,000 in contractor support.

LNG Facilities.

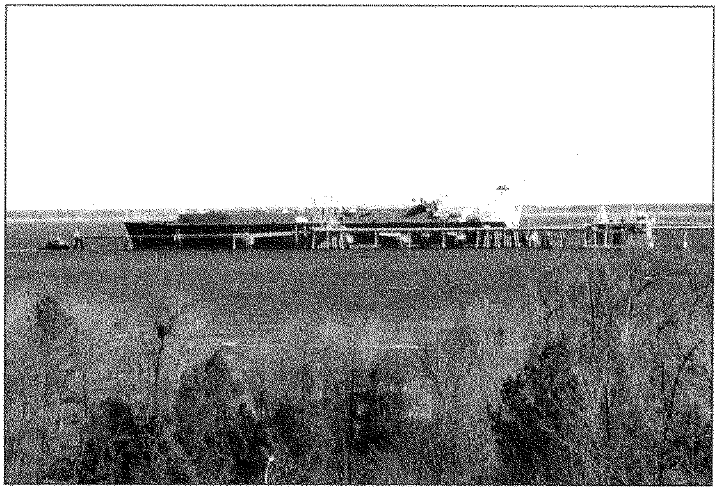
Public safety is among the Commission's highest priorities when it comes to regulating LNG terminals. The Commission's LNG program ensures the safety and reliability of proposed and operating LNG terminals in the United States through a comprehensive review process that includes working very closely with the US Coast Guard, DOT[12], the states, and local governments. This program ensures that approved LNG terminals and associated LNG vessel traffic meet safety and environmental requirements during construction and operation. The Commission can also independently impose safety requirements to ensure or enhance operational reliability of the LNG terminals.

Construction & Operational Inspections.

The Commission is responsible for inspecting LNG facilities during construction and subsequently, during their operation, to ensure compliance with the safety and reliability requirements put into place by the Commission.

While facilities are under construction, Commission engineers conduct inspections at least once every eight weeks. In FY 2009, forty-one construction and pre-operational inspections were conducted for three new terminals and four terminal expansions. The number of construction and pre-operational inspections that may occur in FY 2011 will likely be similar to FY 2009, but will ultimately be determined by market conditions, as well as the number of LNG facilities approved by the Commission in the next eighteen months.

Once in operation, jurisdictional peak-shaving plants are inspected once every other year and LNG import or export terminals are inspected once each year. In FY 2009, 13 operational inspections were conducted for six peak-shaving facilities and seven terminals. By FY 2011, the number of operational inspections will increase to 16 as a result of four new import terminals and one peak-shaving plant commencing service. Based upon the number of potential LNG projects and the number of facilities already in operation, the Commission expects to spend approximately $160,000 for the use of contractor resources to aid Commission staff in conducting five of 16 operational plant inspections.



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[12] The U.S. Coast Guard and DOT have both entered into an Memorandum of Understanding with the Commission for this process.

Hydropower Facilities.

The administration and execution of the Commission's dam safety program ensures that the dams under the Commission's jurisdiction are safe. The dam safety program applies advances in technology to address the technical challenges presented by the aging national water resources infrastructure.

Inspections.

Inspections are the backbone of the dam safety program and are an effective tool for detecting and preventing potential catastrophic structural failures. In the event of a dam failure, there are both economic (property damage, environmental impacts and costs associated with loss of use of the resource) and loss of life consequences. Through inspections, the Commission is able to verify the structural integrity of dams, ensure compliance with license requirements, and identify subsequent necessary investigations, remedial modifications, or required maintenance. In FY 2011, the Commission expects to conduct over 1,800 inspections.

Safety Initiatives.

In addition to conducting inspections, the Commission undertakes several other initiatives to minimize risk to the public. The Commission publishes engineering guidelines for the hydropower industry. These guidelines are constantly in use and are updated as needed. The Engineering Guidelines for the Evaluation of Hydropower Projects provide guidance from licensee- or consultant-conducted studies that includes the procedures and criteria for the engineering review and analysis of hydropower projects.

The Commission's Performance Monitoring Program uses appropriate instrumentation to detect and measure physical changes in the structure before dam safety problems develop. This program also provides methods to better identify and solve dam safety issues, and improves coordination, abilities, and trust among all stakeholders. The Commission also requires Emergency Action Plans (EAP) for all jurisdictional dams. The EAP program includes the development, maintenance, and periodic testing of project-specific EAPs. The program requires the coordination and cooperation of dam owners with state and local emergency preparedness agencies and the Commission. Satisfactory EAPs are in place at more than 99 percent of the Commission dams; exceeding the state-regulated, high hazard potential dams figure by 46 percent.

The Commission also requires inspections by independent consultants every five years on dams that have high or significant hazard potential ratings. Each independent consultant must be pre-approved by the Commission to ensure they are qualified and to maintain strict quality control. These independent inspections, paid for by the licensee, include a complete engineering assessment, an inspection of the project works, and include a detailed review of the project design. All independent consultant inspection reports are thoroughly reviewed and evaluated by the Commission to determine whether additional studies are required or if remedial measures are necessary. In FY 2009, over 200 independent consultant report reviews were completed to make certain the structural integrity of the jurisdictional dams is maintained or improved as appropriate. The Commission expects the number of independent consultant inspection report reviews to remain steady through FY 2011.

In addition to fully executing its traditional safety responsibilities, the Commission will focus on one strategy to improve upon this objective.

The Frequency of Dam Inspections as Determined by its Hazard Potential Classification

Hazard Potential Classification	Loss of Human Life	Inspection Schedule
High	Probable; one or more expected	Annually
Significant	None Expected	Annually
Low	None Expected	Every 3 years

STRATEGY 1

Incorporate risk-informed decision making (RIDM) into the dam safety program

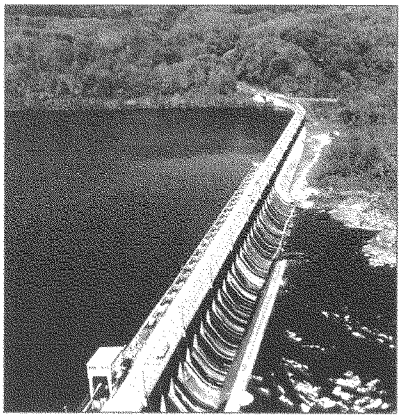
Risk assessment methodologies have been used in the safety assessment of many high consequence industries since the 1960s including the nuclear power and liquefied natural gas industries, and by federal regulatory agencies including the Environmental Protection Agency, Food and Drug Administration and the Federal Aviation Administration. Risk-informed decision-making is also used in dam safety evaluations in the United States (U.S. Department of Interior-Bureau of Reclamation (Reclamation) and the U.S. Army Corps of Engineers), Canada, Australia and New Zealand. Reclamation has been a leader in the development of dam safety risk assessment methodologies for over 10 years. Currently, Reclamation employs risk-informed decision-making in the process of continuously evaluating the safety of dams under their jurisdiction. Spurred by the effects of Hurricane Katrina, U.S. Army Corps of Engineers, in cooperation with Reclamation and with requested participation from the Commission, developed policies and procedures to guide their use of risk-informed decision making.

In FY 2009, the Commission explored how risk assessment methodologies could benefit its own dam safety program.

- Better understanding and quantifying potential failure modes;
- Identify previously unidentified failure modes with high risk;
- Understand the consequences of potential failure modes on life, health and property;
- Understand the uncertainty and variability in traditional analyses;
- Understand the risk associated with a single dam or FERC's entire inventory of dams;
- Compare the safety of different dams using a common basis, risk;
- Compare the relative contribution to risk of all failure modes at a given dam; and
- Evaluate risk reduction alternatives and effectively reducing the risk FERC regulated dams pose to the public in quantifiable and defensible terms.

As a result of the benefits identified in its FY 2009 review, the Commission will develop in FY 2010, an action plan to incorporate risk-informed decision making into its dam safety program. Risk-informed decision making will enable the Commission to make better dam safety decisions that will, in turn, better protect life, health, and property. It will complement traditional methods, such as Commission and independent inspections of dams, not replace them.

In FY 2011, the Commission will prepare a portfolio risk assessment of FERC's dam inventory. Through this high-level process of assessing each dam, staff will be able to identify high-risk dams that need more urgent attention. By identifying these dams, the current safety status and the need for additional dam safety studies and investigations will be thoroughly evaluated. Risk-informed decision making will allow the Commission to focus its resources on those structures that pose the greatest risk to the public. During this development period, all safety inspections will continue as scheduled.



PERFORMANCE MEASURES AND ANNUAL TARGETS FOR OBJECTIVE 2.2

Incorporation of risk-informed decision making into the dam safety program.	
FY 2010	Develop Action Plan
FY 2011	Portfolio Risk Assessment of FERC Dam Inventory

OBJECTIVE 2.3: Reliability

Maintain the reliability of the electric transmission grid.

The electric transmission grid of the United States is a complex network connecting almost 1,000,000 MW of generating capability to load, through more than 200,000 miles of transmission lines. The Commission has an important role in maintaining the reliability and security of this grid. For example, the Commission monitors and participates in the development and enforcement of mandatory reliability and security standards (Reliability Standards) for the grid in the continental United States. These standards apply to all users, owners and operators of the grid. The Commission also monitors system disturbances to identify near and long-term issues affecting generation and transmission.

These responsibilities will continue to be a significant source of work for the Commission through FY 2011. The issues confronted will be extremely complex and time consuming, requiring extensive outreach and education. In addition to FTE resources, the Commission anticipates requiring $2.25 million in contracting expertise to accomplish its goals in this area.

To maintain the reliability of the electric transmission grid, the Commission will focus on three strategies.

Strategy 1:	Process Reliability Standards in a timely manner
Strategy 2:	Monitor, audit, and enforce Reliability Standards
Strategy 3:	Identify reliability parameters that affect national goals of reducing carbon and increasing the penetration of renewable energy resources on the electric transmission grid

STRATEGY 1

Process Reliability Standards in a timely manner

The Commission monitors and participates in the development and enforcement of mandatory Reliability Standards for the grid in the continental United States, primarily through regulatory oversight of the Electric Reliability Organization. The ERO, among other tasks, is responsible for proposing mandatory Reliability Standards for the Commission's review and approval. The ERO may delegate certain responsibilities to Regional Entities, again subject to Commission approval.

Pursuant to EPAct 2005, the ERO must develop Reliability Standards through an open and inclusive process that involves extensive negotiation, consultation and coordination among many stakeholders. Certified Regional Entities may also develop and propose regional reliability standards. In addition, the ERO may submit interpretations of approved Reliability Standards for the Commission's review. The Commission does not have authority to modify proposed standards or interpretations. Rather, if the Commission disapproves of such a filing, it must remand the filing to the ERO for reconsideration. The Commission may direct the ERO to develop and submit a modification on a specific matter.

One illustration of this process involves the ERO's first cyber security, or Critical Infrastructure Protection (CIP), Reliability Standards. After those standards were filed, the Commission approved them while concurrently directing modifications. The ERO has subsequently filed initial modifications to the approved CIP standards and its rules of procedure. Further modifications to the approved CIP standards, many of them extensive, are expected to be filed in FYs 2010, 2011, and beyond.

When proposed Reliability Standards or interpretations are filed, it is important that the Commission respond in a timely manner because the standards or interpretations become mandatory and enforceable only after Commission approval. In FY 2011, the Commission is committed to processing proposed Reliability Standards in a timely manner by issuing orders for 75 percent of filed Reliability Standards within 18 months of the filing date. The Commission anticipates designating 48 FTEs to these efforts. In addition, the Commission will also require up to $1.25 million of contractor expertise to supplement this undertaking.

Under section 215 of the Federal Power Act, as created by EPAct 2005, the Commission has jurisdiction over the certified ERO, any Regional Entities, and all users, owners and operators of the bulk- power system in the United States excluding Alaska and Hawaii, including but not limited to the public and governmental entities described in section 201(f) of the FPA.

STRATEGY 2

Monitor, audit, and enforce Reliability Standards

As discussed above, the Commission monitors and participates in the enforcement of the Reliability Standards, primarily through its oversight of the ERO and Regional Entities. One way in which the Commission fulfills these roles is by participating in selected ERO-led or Regional Entity-led compliance audits and investigations of users, owners and operators of the bulk power system. The Commission will also perform several independent compliance audits and conduct independent investigations of significant blackouts, system disturbances, and other reliability incidents.

The ERO is authorized to impose, after notice and opportunity for a hearing, penalties for violations of the Reliability Standards, subject to Commission review and approval. When the Regional Entities or the ERO identifies a violation of a reliability standard – whether through self-reports of violations, audits, investigations, or complaints – the ERO submits a Notice of Penalty filing for Commission approval. The Notice of Penalty filing includes the evidence supporting a finding of a violation of one or more Reliability Standards, a proposed penalty, and a mitigation plan to remedy the violation(s) and prevent recurrence. The Commission anticipates the filing of Notice of Penalties addressing approximately 100 violations each month.

Rigorous audits and investigations of potential violations coupled with appropriate penalties and adequate mitigation plans should reduce the frequency of repeat violations of the Reliability Standards. In order to determine the effectiveness of the compliance program, the Commission will track the number and type of violations, particularly violations of Reliability Standards involving high Violation Risk Factors.

As part of its monitoring and oversight role, the Commission will monitor the ERO's short-term and long-term reliability and adequacy assessments of the bulk-power system; compile reports on the performance of the bulk-power system from information gathered from the ERO, Regional Entities, and other registered entities; and evaluate system events including disturbances and near-misses.

The Commission also communicates and collaborates with international entities such as Canadian and Mexican regulators; federal agencies such as the Department of Energy, the Department of Homeland Security, the Department of Defense, the Nuclear Regulatory Commission, and the National Institute of Standards and Technology; state organizations such as the National Association of Regulatory Utility Commissioners; the ERO and Regional Entities; and industry and customer stakeholder groups, among others. The Commission will encourage and implement innovative approaches to system and security reliability that will improve the ability of the grid to withstand and recover from abnormal events and attacks.

The Commission anticipates these compliance efforts will require 67 FTEs.

For each Reliability Standard, there are specified associated mandatory requirements that must be material to reliability, measurable, support one or more of the stated reliability principles, and consistent with all of the stated reliability and market interface principles.

Each requirement identifies who is responsible and what action is to be performed or what outcome is to be achieved. Each requirement of a Reliability Standard has a Violation Risk Factor and Violation Severity Levels assigned to it.

The Violation Risk Factors and Violation Severity Levels reflect, respectively, the relative risk to the bulk-power system associated with a violation of the requirement of a Reliability Standard and the severity of a single violation. The Violation Risk Factors and Violation Severity Levels are used by the ERO and the Regional Entities to determine proposed financial penalties for violating a Reliability Standard.

STRATEGY 3

Identify reliability parameters that affect national goals of reducing carbon and increasing the penetration of renewable energy resources on the electric transmission grid

The Commission anticipates requiring, in addition to existing staff, $500,000 in contracting expertise to identify reliability parameters related to renewable energy resources and the electric transmission grid.

The Commission's strategy includes:

- Developing research and studies to identify reliability constraints while, as necessary, leveraging outside expertise in areas such as industry, academia, and National Labs.
- Identifying and evaluating relevant studies performed in the three electrical interconnections in the continental United States; regions within those interconnections, including the footprints of ISO and RTO; and internationally.
- Monitoring developments in public and industry groups with respect to renewable energy resources, carbon-based generation and carbon sequestration.
- Researching legislative initiatives and regulations in the United States and in the international arena that may implicate reliability requirements in the context of climate change initiatives.
- Tracking equipment changes and developing technologies that have the potential to impact reliability parameters.

PERFORMANCE MEASURES AND ANNUAL TARGETS FOR OBJECTIVE 2.3

Percentage of proposed Reliability Standards on which the Commission will issue a Final Rule within 18 months of filing	
FY 2010	75%
FY 2011	75%

Reduction in the number of repeat violations by an audited or investigated entity, particularly of Reliability Standards involving high Violation Risk Factors	
FY 2010	Establish tracking process
FY 2011	Track violations per entity

Track related reliability studies performed in the national and international arena that will provide a basis for establishing and developing reliability parameters	
FY 2010	Establish contacts and develop research, data collection and reporting processes
FY 2011	Track studies and identify or propose reliability parameters. Perform initial analysis to assess if they are feasible for the bulk-power system

INITIATIVES THAT SUPPORT THE COMMISSION

Human Capital Management.

The Commission, in line with its strategic priorities, continues to focus its human capital recruitment and retention efforts in the electric reliability, cyber-security and enforcement programs.

To meet its responsibilities, including the relatively new authorities in reliability and enforcement, it is essential that the Commission continue to increase its core of highly skilled, uniquely experienced staff members, specifically electrical engineers. In recent years, the Commission has had difficulty in hiring electrical engineers because of their high demand in the private sector and a decline in the number of students entering the field. Recruiting senior electrical engineers, specifically those with an understanding of bulk power systems, has been extremely difficult. As a result, the Office of Personnel Management granted the Commission Direct Hire Authority for electrical engineer positions at grades 13-15 until December 2010.

In FY 2011, the increase in FTE authority and the projected attrition is expected to leave the Commission in a position to hire approximately 165 new staff and provide support services to 1,539 FTEs. To address current human resources system inefficiencies, the Commission's human resources and payroll operations transitioned to the Department of Interior's National Business Center which will result in a projected savings of $1.6 million annually beginning in FY 2011. Throughout FY 2011, the Commission will examine other National Business Center human resources system modules to support staff growth; streamline operations; and provide real-time hiring and workforce information to managers and applicants. National Business Center's human resources system will provide enhanced data mining capabilities that are required to adequately analyze and refine the Commission's workforce requirements.

Background Facts
Average age of the Commission's workforce is 45
Average age of executive staff is 52
Staff retires at 60 years old with 30 years of service
Staff eligible to retire voluntarily in FY 2011 is 386 or 25%
Mainstream occupations are: Accountants, Auditors, Attorneys, Analysts, Environmental Scientists and Engineers other than Electrical Engineers, which are considered mission critical occupations

APPENDIX A

Historic Actual Performance Results FYs 2006 - 2009

Energy Infrastructure Performance Data.[13]

FY 2006		
Performance Measurement	**Performance Target**	**Result**
Develop strategic plan and timeline for transmission line siting group	By August 31, 2006	Target Met. The strategic plan and timeline were in place by August 31, 2006. Steps have been taken to establish a transmission line siting group including: the issuance of a Notice of Proposed Rulemaking (NOPR) to establish the necessary rules and regulations to process applications filed with the Commission and posting openings to fill these essential positions.
Issue final rules on mandatory pre-filing process for LNG terminal proposals	Within 60 days of enactment of EPAct 2005	Target Met. The Commission issued regulations on the mandatory pre-filing process for LNG terminal proposals within 60 days of the enactment of EPAct 2005. The Pre-Filing Rule was issued on October 7, 2005 in Docket No. RM 05-31-000, Order 665; the effective date of the rule was November 17, 2005.
Complete Memorandum of Understanding (MOU) with Secretary of Defense on coordination of LNG facilities affecting active military installations	By March 31, 2006	Target Not Met. Both DoD contacts retired or were transferred during negotiations. A new DoD contact was assigned in July 2006 and negotiations are underway again. This did not impact operations.
Issue reports to Congress on Alaska Natural Gas Pipeline	Reports issued in February 2006 and August 2006	Target Met. Reports issued February 1 and July 10, 2006.

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[13] This performance data is aligned with the former Strategic Goal: Energy Infrastructure.

FY 2006		
Performance Measurement	**Performance Target**	**Result**
Establish rules for transmission infrastructure incentives	Issue rules by August 8, 2006	Target Met. Docket No. RM06-4-000; Final Rule, Order No. 679, "Promoting Transmission Investment through Pricing Reform," issued July 20, 2006.
Identify requirements for establishing a communications system with transmission owners and RTOs on status of transmission lines	Issue report to Congress by February 4, 2006	Target Met. Report entitled "Steps to Establish a Transmission Monitoring System for Transmission Owners and Operators within the Eastern and Western Interconnections," submitted to Congress on February 2, 2006.
Establish process to review ERO proposed initial reliability standards	By March 31, 2006	Target Met. Developed a rulemaking process and timeline for addressing the initial reliability standards; the process and timeline were approved by the Commission in March 2006.
Issue report to Congress on operator training	By December 31, 2005	Target Not Met. Although a comprehensive study of the current state of control room operator training across the bulk power system of the United States was completed in early December, the report has not yet been sent to Congress. The Commission is currently involved in a comprehensive rulemaking related to ERO reliability standards which will include standards related to operator training. This did not negatively impact operations.
Percentage of qualifying, major, onshore-pipeline projects inspected during ongoing construction activity	100% of projects inspected at least once every four weeks	100%
Percentage of pipeline certificate cases with no precedential issues completed	• 90% of unprotected cases within 159 days of filing • 90% of protested cases within 304 days of filing	• 94% • 100%
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within one year of filing	100%
Percentage of pipeline certificate cases requiring a major environmental assessment or EIS completed	90% within 18 months of filing	100%
Percentage of qualifying LNG plants inspected during ongoing construction activity	100% of plants inspected at least once every eight weeks	100%
Percentage of LNG import terminals inspected	100% inspected annually	100%
Percentage of LNG peak-shaving terminals inspected	50% inspected annually	50%
Percentage of ILP pre-filing notices for NOI/PAD and initial scoping document issued	85% within 60 days of NOI/PAD filing	100%
Percentage of ILP pre-filing scoping meetings and site visits completed	85% within 90 days of NOI/PAD filing	100%

FY 2006		
Performance Measurement	**Performance Target**	**Result**
Percentage of ILP pre-filing study plan determinations completed	85% within 315 days of NOI/PAD filing	100%
Percentage of final NEPA documents issued for ALP/TLP cases with settlement agreements	85% within 12 months	94%
Percentage of final NEPA documents issued for ALP/TLP cases without settlement agreements	85% within 24 months	94%
Percentage of non-independent transmission provider open access transmission tariffs that have standard generator interconnection procedures in compliance with Order No. 2003 and small generator final rule	75% by September 30, 2006	Target Met. 100% compliance with Order No. 2006, "Standardization of Small Generator Interconnection Agreements and Procedures," issued May 12, 2005, was established through language contained in paragraph 544 of the Final Rule, as follows: "On the effective date of this Final Rule...the OATTs [open access transmission tariffs] of all non-independent Transmission Providers are deemed revised to include the Final Rule SGIP [Standard Generator Interconnection Procedures] and SGIA Standard Generator Interconnection Agreement]." In accordance with other language in the same paragraph, no further amendment to include the SGIP and SGIA in a Transmission Provider's OATT is required until compliance is due in the Commission's pending rulemaking on Electronic Tariff Filings. Compliance with Order No. 2003 (large generator rule) was completed and reported on during FY 2005 (see previous results).
Percentage of cases for cost recovery, new services, or changes to existing services processed	• 100% of NGA section 4 cases in 30 days • 100% of FPA section 205 cases in 60 days	Target Met. 100% of the more than 3,350 statutory cases were completed by the statutory action date.
Percentage of rate cases set for hearing completed according to the established schedule	• 75% of Track I cases in 29.5 weeks • 75% of Track II cases in 47 weeks • 75% of Track III cases in 63 weeks	• There were no Track I cases • 90% of Track II cases in 47 weeks • 94% of Track III cases in 63 weeks
Percentage of rate cases set for hearing that achieve partial or complete consensual agreement	75%	78%
Percentage of Commission Opinions issued once Briefs Opposing Exceptions to Initial Decisions are filed	90% within 12 months	Target met. 100% (10 of 10) Initial Decisions processed within 12 months of Briefs Opposing Exceptions.
Percentage of merit orders accepting, modifying, or rejecting timely filed cost recovery proposals for new infrastructure submitted (including time for hearing, ADR, or settlement judge participation)	95% by applicant request date	Target Met. 96% of the 120 merit orders to resolve cost recovery proposals for new infrastructure were issued by statutory or requested date as applicable. In the case of gas pipeline certificate applications, contributed rate inserts to allow timely completion.

FY 2006		
Performance Measurement	**Performance Target**	**Result**
Timeliness of issuing environmental licensing requirements	Licensing responsibility letters sent within 45 business days of license issuance date	Target Met. All licensing responsibility letters were issued within 45 days of license issuances.
Percentage of NEPA documents completed for projects utilizing the pre-filing processes	85% within 8 months of determining a pipeline or LNG facility application complete	100%
Participation in NERC / industry reliability readiness reviews	• 100% of the Reliability Coordinators • Large entities which represent 80% of the load served by all entities reviewed by NERC	Target Met. FERC participated in 100% of NERC's Reliability Coordinator reviews (5 of 5), and participated in 22 readiness reviews of large entities which represent 94.5% (125,503 MW) of the load served by all entities reviewed by NERC (132,796 MW).
Issue final rule on Electric ERO certification and mandatory reliability standards enforcement	Rule issued by February 4, 2006	Target Met. Docket No. RM05-30-000; Final Rule, Order No. 672, "Rules Concerning Certification of the ERO; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards," issued February 3, 2006.
Percentage of new RTOs or ISOs performing reliability functions included in Orders No. 2000 or No. 888, respectively	100%	No new RTOs or ISOs were established during the performance period.
Percentage of merit orders accepting, modifying, or rejecting timely filed proposals to recover prudently incurred reliability costs submitted (including time for hearing, ADR, or settlement judge participation)	95% by applicant request date	Target Met. 100% of the 394 merit orders to resolve cost recovery proposals for reliability were issued by statutory or requested date, as applicable.
Percentage of merit orders accepting, modifying, or rejecting timely filed proposals to recover prudently incurred safety and security costs submitted (including time for hearing, ADR, or settlement judge participation)	95% by applicant request date	Target Met. 100% of the 20 relevant filings (i.e., oil pipelines) were completed by the statutory action date.
Percentage of high- and significant-hazard-potential dams inspected annually	100%	100%
Percentage of high- and significant-hazard-potential dams that either meet all current structural safety standards or are undergoing investigation or remediation	100%	100%
Percentage of qualifying dams that either comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	100%	100%
Number of instances of unauthorized access to CEII	No instances	Target met. No instances.
Number of complaints from CEII requesters on inability to participate in a proceeding due to failure to obtain CEII in a timely manner	None	Target met. None.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Resolve Regulatory and Other Challenges to Needed Development		
Issue Alaska Gas Pipeline Reports to Congress	Issue Reports in February and August 2007	Target Met. Reports were issued on January 31 and August 15, 2007.
Percentage of pipeline certificate cases with no precedential issues completed	▪ 90% of unprotested cases within 159 days of filing ▪ 90% of protested cases within 304 days of filing	Targets Met. ▪ 98% of unprotested cases were completed within 159 days of filing. ▪ 100% of protested cases were completed within 304 days of filing.
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within 365 days of filing	Target Met. 100% of cases of first impression or larger policy implications were completed within 365 days of filing.
Percentage of pipeline certificate cases requiring a major environmental assessment or EIS completed	90% within 480 days of filing	Target Met. 94% of cases requiring a major environmental assessment or EIS were completed within 480 days of filing.
Percentage of qualifying LNG plants inspected during ongoing construction activity	100% of plants inspected every 8 weeks	Target Met. 100% of qualifying LNG plants (6 of 6) where construction was occurring were inspected at least every 8 weeks.
Percentage of ILP pre-filing study plan determinations completed	85% within 150 days of applicant's filing of the proposed study plan	Target Met. 90% (9 out 10) ILP pre-filing study plan determinations were completed within 150 days of applicant's filing of the proposed study plan.
Percentage of infrastructure studies completed	▪ 100% for regional and issue-based infrastructure conferences ▪ 100% for Commission- and Congressional-directed studies	Targets Met. ▪ 100% of infrastructure studies completed for regional and issue-based conference. ▪ 100% of infrastructure studies completed for Commission- and Congressional-directed studies.
Percentage of NEPA documents completed for projects utilizing the pre-filing processes	85% within 8 months of determining a pipeline or LNG facility application complete	Target Met. Of the 18 projects that utilized the pre-filing process, 100% had final NEPA documents within 8 months of filing a complete application.
Timeliness of filings processed containing amendments to non-independent electric transmission provider OATTs	Within 60 days of filing date or applicants' requested date, whichever is later	Target Met. All 126 amendments to non-RTO/ISO OATTs completed within 60-day statutory timeframe.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Encourage Investment and Effect Timely Cost Recovery		
Timeliness of applications processed for incentive rates under section 205 of the FPA	Processed by the statutory deadline for rate filings or the applicants' requested date, whichever is later	Target Met. 100% of the 11 statutory incentive rates cases were processed within statutory timeframes.
Process cost recovery cases within reasonable timeframes (including prudently-incurred expenses to safeguard and enhance the reliability, security and safety of the energy infrastructure)	• 100% of statutory cases addressed by Commission order within statutory deadlines • 95% of certificate cases within 12 months or applicants' requested date, whichever is later • 90% of cases set for hearing within 12 months of briefs opposing exceptions	Targets Met. • 100% of all 3,164 statutory items, including cost recovery cases, were completed within statutory due dates. • In certificate work, 97%, or 60 of 62 cases requiring rate inserts, were completed timely. Even in the cases that were unavoidably delayed—one due to Coast Guard involvement in approving LNG facility, and the other subject to environmental issues because the company did not use the NEPA pre-filing process—the rate analyses were provided to the lead Office within the required time period. • 100% issued within 12 months.
Establish price volatility baseline	By September 30, 2007	Not Applicable. The Commission proposed to establish a price volatility baseline. The first step in this process was to determine what information was available and reasonable to collect. In FY 2007, staff reviewed available price data and concluded that a price volatility baseline was not feasible. Because of the lack of available data, this performance measure has been discontinued. Program performance was not negatively impacted as a result of not establishing a price volatility baseline.
Establish out-of-merit dispatch baseline	By September 30, 2007	Not Applicable. The Commission proposed to establish an out-of-merit dispatch baseline. The first step in this process was to determine what information was available and reasonable to collect. In FY 2007, staff contacted transmission operators and found that their data is inconsistent across transmission systems and does not allow for meaningful analyses to establish this baseline. Because of the lack of consistent data, this performance measure has been discontinued. Program performance was not negatively impacted as a result of not establishing an out-of-merit dispatch baseline.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Assure Reliability of Interstate Transmission Grid		
Percentage of proposed reliability standards reviewed	100%	Target Met. Docket No. RM06-16-000; Final Rule, Order No. 693, "Mandatory Reliability Standards for the Bulk-Power System," issued March 16, 2007, in which the Commission approved 83 of 107 proposed Reliability Standards, and directed significant improvements to 56 of those standards. The Commission also required submission of further information in order to evaluate the adequacy of the remaining 24 standards. The initial 83 standards became mandatory and enforceable on June 18, 2007. In addition, the Commission approved 8 regional standards in Docket No. RM07-11-000; "Order Approving Regional Reliability Standards for the Western Interconnection and Directing Modifications," issued June 8, 2007.
Develop procedures to review the performance of the ERO	Complete by March 31, 2007	Target Met. Procedures were outlined in Docket No. RM05-30-000; Final Rule, Order No. 672, "Rules Concerning Certification of the ERO; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards," issued February 3, 2006.
Percentage of NERC / industry reliability readiness reviews of Reliability Coordinators in which FERC participates	100%	Target Met. FERC participated in all 4 of NERC's Reliability Coordinator reviews.
Percentage of load served, included in NERC / industry reliability readiness reviews, in which FERC participates	50%	Target Met. FERC participated in 22 readiness reviews of large entities which represent just over 80% (332,244 MW) of the load served by all entities reviewed by NERC (414,101 MW).
Percentage of ERO penalty action rulings reviewed to prevent inappropriate rulings from going into effect by default	100%	No activity, as the standards only became mandatory on June 18, 2007, and no ERO proposed penalties were filed in FY 2007.
Protect Safety at LNG and Hydropower Facilities		
Percentage of high- and significant-hazard-potential dams inspected annually	100%	Target Met. 100% of all high and significant hazard-potential dams were inspected annually.
Percentage of high- and significant-hazard-potential dams that either meet all current structural safety standards or are undergoing investigation or remediation	100%	Target Met. 100% of all high- and significant-hazard potential dams meet current structural standards or are undergoing investigation or remediation.
Percentage inspected annually: • LNG import terminals • LNG peak-shaving facilities	• 100% • 50%	Targets Met. • All 5 of the operating LNG import terminals were inspected. • 6 of the 12 peak-shaving facilities were inspected.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of LNG facilities that meet all current safety standards or are subject of a compliance letter	100%	Target Met. 100% of LNG facilities met all current safety standards or were subject to a compliance letter.
Percentage of EIS documents that contain sections addressing safety for Hydropower Projects, LNG Facilities, Gas Pipeline Projects and Storage Facilities	100%	Target Met. 100% of EIS documents contain sections relating to safety for Hydropower Projects, LNG Facilities, Gas Pipeline Projects and Storage Facilities.
Control access to CEII	No instances of improper access or improper denial affecting national security or Commission proceedings	Target met. No instances.
Percentage of qualifying dams that either comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	100%	Target Met. 100% of qualifying dams comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s).
Percentage of LNG facility authorizations that incorporate consultation with all appropriate agencies on security related matters	100%	Target Met. 100% of LNG facility authorizations incorporate consultation with all appropriate agencies on security related matters.

Incorporate Environmental Considerations into Commission Decisions		
Percentage of final NEPA documents issued for ALP/TLP cases: • with settlement agreements • without settlement agreements	• 85% within 12 months • 85% within 24 months	Targets Met. • 100% of final NEPA documents (5 of 5) were issued within 12 months for ALP/TLP cases with settlement agreements. • 100% of final NEPA documents (16 of 16) were issued within 24 months for ALP/TLP cases without settlement agreements.
Timeliness of issuing environmental licensing requirements	Licensing responsibility letters sent within 45 business days of license issuance date	Target Met. All licensing responsibility letters were sent out within 45 business days of license issuance date.
Percentage of qualifying, major, onshore-pipeline projects inspected during ongoing construction activity	100% of projects inspected at least once every four weeks	Target Met. Of the 30 pipeline projects under active construction in FY 2007, 100% were inspected at least once every four weeks.

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Resolve Regulatory and Other Challenges to Needed Development		
Timeliness of processing complete filings containing amendments to non-independent electric transmission provider OATTs	100% processed by statutory due date or applicant's requested date, whichever is later	Target Met. 100% (125 out of 125) amendments to non-RTO/ISO OATTs were completed within the 60-day statutory timeframe.
Issue Alaska Gas Pipeline Reports to Congress	Issue Reports in February and August 2008	Target Met. Reports were issued February 19 and August 29, 2008.
Percentage of pipeline certificate cases with no precedential issues completed	• 90% of unprotested cases within 159 days of filing • 90% of protested cases within 304 days of filing	• Target Met. 94% of unprotested pipeline certificate cases with no precedential issues were completed within 159 days of filing. • Target Met. 100% of protested pipeline certificate cases with no precedential issues were completed within 304 days of filing.
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within 365 days of filing	Target Met. 97% of pipeline certificate cases of first impression or containing larger policy implications were completed within 365 days of filing
Percentage of pipeline certificate cases requiring a major environmental assessment or EIS completed	90% within 480 days of filing	Target Not Met. 75% (6 of 8) of pipeline certificate cases requiring a major environmental assessment or environmental impact state were completed within 480 days of filing. Bradwood Landing Project (CP08-365-000, et al, issued September 18, 2008) required additional time due to an unusually large number of environmental issues which resulted in processing delays beyond FERC's control. This project was the first new LNG import terminal and related sendout pipeline to serve the Pacific Northwest. Broadwater Energy Project (CP06-54 issued March 20, 2008) also required additional time due to novel environmental issues which resulted in processing delays beyond FERC's control. This project was the first floating terminal for the storage and delivery of LNG in the United States. There were no adverse impacts as a result of these two delays.
Percentage of NEPA documents completed for projects utilizing the pre-filing processes	85% within 8 months of determining a pipeline or LNG facility application complete	Target Met. 87% of NEPA documents were completed within 8 months of determining a pipeline or LNG facility application was complete for projects utilizing the pre-filing process.
Percentage of qualifying LNG plants inspected during ongoing construction activity	90% of plants inspected every 8 weeks	Target Met. 100% of qualifying LNG plants were inspected at least once every 8 weeks during ongoing construction.

FY 2008

Strategy

Performance Measurement	**Performance Target**	**Results**
Percentage of ILP pre-filing study plan determinations completed	75% within 30 days of applicant filing revised study plan for Commission approval	Target Met. 100% of ILP pre-filing study plans determinations were completed within 30 days of the applicant filing a revised study plan.
Percentage of infrastructure studies completed	• 95% for regional and issue-based infrastructure conferences • 95% for Commission- and Congressional-directed studies	• Target Met. 100% of regional and issue-based infrastructure studies were completed for regional and issue-based infrastructure conferences. • Target Met. 100% of infrastructure conferences were completed for Commission- and Congressional-directed studies.

Encourage Investment and Effect Timely Cost Recovery

Timeliness of processing complete applications for incentive rates	• 100% of statutory cases processed within statutory deadlines or by applicant's requested date, whichever is later • 80% of declaratory orders filed for Commission action within 180 days of filing date or by applicant's requested date, whichever is later.	• Target Met. 100% (16 out of 16) statutory incentive rate cases were processed within the statutory timeframes. • Target Met. 100% filed within 180 days.
Timeliness of processing cost recovery cases (including prudently-incurred expenses to safeguard and enhance the reliability, security and safety of the energy infrastructure)	• 100% of statutory cases processed within statutory deadlines or by applicant's requested date, whichever is later • 90% of rate inserts for certificate cases processed within 30 days prior to lead office's target date for completion of pipeline certificate case • 85% of cases that were set for hearing filed for Commission action within 12 months of briefs opposing exceptions	• Target Met. 100% (3,498 out of 3,499) statutory items, including cost recovery cases, were processed within statutory deadlines; only one filing missed its deadline by three business days • Target Met. 96% (55 out of 57) of rate inserts were processed within the appropriate timeframe. • Target Met. 100% filed within 12 months of briefs opposing exceptions.
Timeliness of verification of EQR submissions	Within 10 business days of filing due date	Target Met. All EQR submissions were verified within 10 business days.
Percentage of Accounting Inserts completed for inclusion in merit orders on cost recovery proposals for new gas pipeline infrastructure	95%	Target Met. 100% of gas certificate accounting inserts were completed on time.
Percentage of financial accounting filings completed timely	75% within 60 days of filing date	Target Met. 100% of financial accounting filings were completed within 60 days of filing date.
Percentage of reporting requirement filings completed timely	75% within 60 days of filing date	Target Met. 99% of reporting requirement filings were completed within 60 days.

Assure Reliability of Interstate Transmission Grid

Timely approval of ERO/RE budgets and business plans	Complete by November 1, 2007	Target Met. Order was issued on October 18, 2007.

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Timeliness of processing proposed reliability standards	75% of filed proposed reliability standards are remanded or approved within 18 months, unless found incomplete	Target Met. 100% of Reliability Standards were remanded or approved within 18 months of filing. 100% of Cyber Security Standards were approved within 18 months of being filed.
Review the performance of the ERO	Complete within 12 months of the submission by the ERO of an assessment of its performance	N/A. The ERO's submission is not due until July 2009. The Commission will review the performance of the ERO within 12 months of their submission.
Percentage of ERO / industry reliability readiness evaluations of Reliability Coordinators in which FERC participates	75%	Target Met. Participated in 100% of ERO/industry reliability readiness evaluations of Reliability Coordinators (i.e., California-Mexico, Rocky Mountain-Desert Southwest, SPP, and ERCOT Reliability Coordinators).
Percentage of load served, included in ERO / industry reliability readiness evaluations, in which FERC participates	35%	Target Met. Participated in 11 readiness evaluations which represented 78% of load served.
Percentage of ERO penalty action rulings reviewed or tolled to prevent inappropriate rulings from going into effect by default	100%	Target Met. 100% (37 out of 37) penalty action rulings were reviewed to prevent inappropriate rulings from going into effect. They were accepted by operation of law, *Guidance on Filing Notices of Penalty*, 124 FERC ¶ 61,015 (July 3, 2008)

Protect Safety at LNG and Hydropower Facilities		
Percentage of high- and significant-hazard-potential dams inspected annually	100%	Target Met. 100% of high- and significant-hazard-potential dams were inspected.
Percentage of high- and significant-hazard-potential dams that either meet all current structural safety standards or are undergoing investigation or remediation	100%	Target Met. 100% of high- and significant-hazard-potential dams met all current structural safety standards or are undergoing investigation or remediation.
Percentage of LNG import terminals inspected annually	90%	Target Met. 100% of the LNG import terminals were inspected.
Percentage of LNG peak-shaving facilities inspected biennially	90%	Target Met. 100% of peak shaving plants were inspected according to the biennial schedule.

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Percentage of LNG facilities that meet all current safety standards or are subject of a compliance letter	100%	Target Met. 100% of the LNG facilities either met all current safety standards or received a compliance letter.
Percentage of qualifying dams that either comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	100%	Target Met. 100% of qualifying dams comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s).
Control access to CEII	No instances of improper access or improper denial affecting national security or Commission proceedings	Target Met. No instances.
Incorporate Environmental Considerations into Commission Decisions		
Timeliness of issuing environmental licensing requirements	Licensing responsibility letters sent within 60 business days of license issuance date	Target Met. All licensing responsibility letters were issued within 60 days of license issue date.
Percentage of final NEPA documents issued for ALP/TLP cases: • with settlement agreements • without settlement agreements	• 75% within 12 months of settlement filing date • 75% within 24 months of REA date	• Target Met. 100% of final NEPA documents were issued for ALP/TLP cases with settlement agreements within 12 months of the settlement filing date • Target Met. 100% of final NEPA of final NEPA documents were issued for ALP/TLP cases without settlement agreements within 24 months of the REA date
Percentage of qualifying, major, onshore-pipeline projects inspected during ongoing construction activity	90% of projects inspected at least once every four weeks	Target Met. 98% of qualifying, major, onshore-pipeline projects were inspected at least once every four weeks during ongoing construction activity.

FY 2009		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Resolve Regulatory and Other Challenges to Needed Development		
Timeliness of processing complete fil-ings containing amendments to non-independent electric transmission pro-vider OATTs	100% processed by statutory due date or applicant's requested date, whichever is later	Target Met - 100% of the 62 amendments to non-RTO/ISO OATTs were completed within the 60-day statutory timeframe
Issue Alaska Gas Pipeline Reports to Congress	Issue Reports in February and August 2009	Target Met. Reports issued in February and August 2009.
Percentage of pipeline certificate cases with no precedential issues completed	• 90% of unprotested cases within 159 days of filing • 90% of protested cases within 304 days of filing	• Target Met. 96.8% of unprotested cases completed within 159 days of filing • Target Met. 100% of protested cases completed within 304 days of filing

FY 2009		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Percentage of pipeline certificate cases of first impression or containing larger policy implications completed	90% within 365 days of filing	Target Met. 94.7% of first impression cases completed within 365 days of filing
Percentage of pipeline certificate cases requiring a major environmental assess-ment or EIS completed	90% within 480 days of filing	Target Met. 100% of major cases completed within 480 days of filing
Percentage of NEPA documents com-pleted for projects utilizing the pre-filing processes	85% within 8 months of determining a pipeline or LNG facility application complete	Target Met. 100% of NEPA documents completed for projects utilizing the pre-filing process within 8 months of determining an application was complete
Percentage of qualifying LNG plants inspected during ongoing construction activity	90% of plants inspected every 8 weeks	Target Met. 100% of qualifying LNG plants were inspected at least once every 8 weeks during ongoing construction activity
Percentage of ILP pre-filing study plan determinations completed	75% within 30 days of applicant filing revised study plan for Commission approval	Target Met. 100% of determinations were completed within 30 days of applicant filing revised study plan for Commission approval
Percentage of infrastructure studies completed	• 95% for regional and issue-based infrastructure conferences • 95% for Commission- and Congressional-directed studies	• Target Met. 100% studies completed for regional and issue-based infrastructure conferences • Target Met. 100% studies completed for Commission- and Congres-sional-directed studies
Percentage of electric transmission sit-ing cases completed	90% within 365 days of filing	n/a. One electric transmission case entered the pre-filing stage, but it was withdrawn.
Timeliness of processing complete applications for incentive rates	• 100% of statutory cases processed within statutory deadlines or by applicant's requested date, whichever is later • 80% of declaratory orders filed for Commission action within 180 days of filing date or by applicant's requested date, whichever is later.	• Target Met - 100% of the 15 statutory incentive rate cases were processed within the statutory timeframes • Target met; 100% (6 of 6) of declaratory orders related to incentive rates were filed within target dates.
Timeliness of processing cost recovery cases (including prudently-incurred expenses to safeguard and enhance the reliability, security and safety of the energy infrastructure)	• 100% of statutory cases processed within statutory deadlines or by applicant's requested date, whichever is later • 90% of rate inserts for certificate cases processed within 30 days prior to lead office's target date for completion of pipeline certificate case • 85% of cases that were set for hearing filed for Commission action within 12 months of briefs opposing exceptions	• Target Met - 100% of the 3,808 statutory items, including cost recovery cases, were processed within the statutory deadlines • Target Met. Provided timely rate inserts for 94% (47 out of 50) of the cases that were targeted for completion by the lead office during the fiscal year • Target not met; 50% (2 of 4) filed within 12 months of Briefs Opposing Exceptions.
Timeliness of verification of EQR submissions	Within 10 business days of filing due date	Target met. 100 percent of EQR submissions were verified within 10 business days.
Percentage of Accounting Inserts completed for inclusion in merit orders on cost recovery proposals for new gas pipeline infrastructure	95%	Target met. 100 percent of gas certificate accounting inserts were completed on time.
Percentage of financial accounting fil-ings completed timely	75% within 60 days of filing date	Target met. 97 percent of financial accounting filings were completed on time.
Percentage of reporting requirement filings completed timely	75% within 60 days of filing date	Target met. 100 percent of reporting requirement filings were completed within 60 days.

FY 2009		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Assure Reliability of Interstate Transmission Grid		
Timely approval of ERO/RE budgets and business plans	Complete by November 1, 2008	Target met. The draft order approving the 2009 ERO/RE budgets and business plans was issued in Docket No. RR08-6-000 on October 16, 2008.
Timeliness of processing proposed reliability standards	75% of filed proposed reliability standards are remanded or approved within 18 months, unless found incomplete	Target met. 100% of filed reliability standards have orders issued within 18 months.
Review the performance of the ERO	Complete within 12 months of the submission by the ERO of an assessment of its performance	n/a. ERO performance assessment filing was made on July 20, 2009 in Docket No. RR09-7-000, with a targeted completion date of December 2009.
Number of ERO Regional Entity compliance audits in which FERC partici-pates	At least one in each of the eight regions	Target met. Participated on 8 Regional Entity audits, one in each region, by June 25, 2009.
Percentage of ERO / industry reliability readiness evaluations of Reliability Coordinators in which FERC partici-pates	75%	N/A. The ERO/industry reliability readiness evaluations of Reliability Coordinators were discontinued in FY2009.
Percentage of load served, included in ERO / industry reliability readiness evaluations, in which FERC participates	35%	Target Met. Participated in 2 readiness evaluations which represented 78% of load served.
Percentage of ERO penalty action rul-ings reviewed or tolled to prevent inap-propriate rulings from going into effect by default	100%	Target met. In FY 2009, 35 Notices of Penalty covering 83 violations were filed. All 35 were reviewed for appropriateness of the finding of violation and penalty and accepted by operation of law, with a public notice of each acceptance issued within the required period for Commission action.
Assess Notices of Alleged Violation and Sanction received from the ERO	Review 60% of Notices of Alleged Violation and Sanction received from ERO within two weeks of receipt for appropriateness of sanction	Target met. In FY2009, 149 Notices of Alleged Violations and Sanctions covering 579 alleged violations were submitted through the portals. Each was reported on and recorded routinely by way of (1) The Overview of Reliability Orders, Matters and Deadlines Chart, and (2) The Pending Case Report prepared by the Division of Investigations.
Timeliness of reporting to the Commis-sion on ERO and Regional Entity audits	Within 120 days of the Commencement Letter	Target met. 100 percent (3/3) of Regional Entity audits reported to the Commission within 120 days.
Percentage of ERO and Regional Entity audit recommendations issued and implemented	90% within 6 months	Target met. 100 percent (20/20) of Regional Entity audit recommendations implemented in 6 months.

FY 2009		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Protect Safety at LNG and Hydropower Facilities		
Percentage of high- and significant- -hazard-potential dams inspected annu-ally	90%	Target Met. 90% of high- and significant-- hazard-potential dams inspected
Percentage of high- and significant-- hazard-potential dams that either meet all current structural safety standards or are undergoing investigation or reme-diation	90%	Target Met. 90% of high- and significant- hazard-potential dams either met all current structural safety standards or are undergoing investigation or reme-diation.
Percentage of LNG peak-shaving facili-ties inspected biennially	90%	Target Met. 100% of LNG peak-shaving facilities were inspected
Percentage of LNG import terminals inspected annually	90%	Target Met. 100% of the LNG import terminals were inspected
Percentage of qualifying dams that ei-ther comply with EAP requirements or are conducting follow-up action(s) on outstanding item(s)	90%	Target Met. 90% of qualifying dams complied with EAP requirements or are conducting follow-up action(s) on outstanding item(s)
Control access to CEII	No instances of improper access or improper denial affecting national security or Commission proceedings	Target Met. No instances.

Incorporate Environmental Considerations into Commission Decisions		
Percentage of final inspection reports completed	75% within 4 months of inspection	Target Met. 100% of final inspection reports completed within 4 months of inspection
Timeliness of issuing environmental licensing requirements	Licensing responsibility letters sent within 60 days of license issuance date	Target Met. All licensing responsibility letters sent within 60 days of license issuance date
Percentage of final NEPA documents issued for ALP/TLP cases: • with settlement agreements • without settlement agreements	• 75% within 12 months of settlement filing date • 75% within 24 months of REA date	• Target Met. 100% within 12 months of settlement filing date • Target Met. 100% within 24 months of REA date
Percentage of qualifying, major, on-shore-pipeline projects inspected during ongoing construction activity	90% of projects inspected at least once every four weeks	Target Met. 97% of qualifying projects were inspected at least once every 4 weeks.

Competitive Markets Performance Data.[14]

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Review and propose revisions to OASIS standards	By June 30, 2006	Target Met. Docket No. RM05-5-000; Final Rule, Order No. 676, "Standards for Business Practices and Communication Protocols for Public Utilities," issued April 25, 2006.
Assess demand response	Issue annual report by August 8, 2006	Target Met. Staff report, "Assessment of Demand Response & Advanced Metering" (Docket No. AD-06-2-000) was delivered to Congress on August 4, 2006.
Issue final rule to implement PUHCA provisions of EPAct 2005	By January 31, 2006	Target Met. Final rule was issued on December 8, 2005.
Issue rules governing market manipulation in electricity and gas markets	By September 30, 2006	Target Met. The final rule (Order 670) was issued January 19, 2006 and an order denying rehearing was issued March 22, 2006 in Docket Nos. RM06-3, et al., Final Rule Prohibiting Energy Market Manipulation.
Movement toward competitive markets in each region, including greater interregional coordination of broader, more efficient, and non-discriminatory energy markets	Increase in: • new, independent regional transmission providers • coordination between RTOs or between RTOs and neighboring non-member utilities	Target Met. Some examples: • In order to create a more seamless administration between the tariffs of the Midwest ISO's energy markets and the non-market operations of MAPP members that do not belong to the Midwest ISO, the Commission approved MAPP's proposal to conform its ATC calculation methodologies to provisions of the Seams Operating Agreement between MAPP and the Midwest ISO. • The Commission approved proposed revisions to the SPP/Midwest ISO JOA and to the Congestion Management Process (CMP) which is incorporated in the JOA to align them more closely with the JOA and CMP of the Midwest ISO/PJM. • Action was taken on Midwest ISO and PJM and their respective transmission owners' proposed revisions to the JOA for allocating to customers in each RTO the cost of new transmission facilities that are built in one RTO but provide benefits to customers in the other RTO (the so-called cross-border facilities).
Increased presence at RTOs, to improve relationships with and knowledge of existing RTOs	Creation and staffing of an office at any new RTO within 6 months of commencement of operations (including establishment of virtual office processes)	No new RTOs were established during the performance period. All existing RTOs have either staff on location or a virtual office process in effect.

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[14] This performance data is aligned with the former Strategic Goal: Competitive Markets.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of filings to establish RTOs, ISOs, or ITCs processed	100% completed within 6 months of filing or before applicants' proposed effective date (whichever is later)	No filings were received to establish new RTOs, ISOs, or ITCs during the performance period.
RTO / ISO establishment of cost-effective market design elements per Order No. 2000	Within three years of commencement of operation, each approved RTO or ISO will implement (if cost effective): • firm transmission rights • resource adequacy approaches • regional independent grid operation • regional transmission planning process • appropriate market monitoring and market power mitigation • transparency and efficiency in congestion management • spot markets to meet customers' real-time energy needs • fair cost allocation for existing and new transmission	Target Met. With the exception of SPP, all RTOs/ISOs (PJM, ISO-NE, NY-ISO, Midwest ISO, and CAISO) have been operational over 3 years and all have implemented cost-effective market design elements. SPP has been operating as an RTO since November 1, 2004, and has received authorization during FY 2006 to commence a real-time energy imbalance market, as well as having received approvals for its market monitoring and mitigation plans.
Demonstrable improvements in regional competitive market transparency and independence (continued on next page)	In each region of the country, there will be: • RTO adoption of additional market-oriented features, programs or rules • improvement of open access tariff to reduce entry barriers or eliminate undue discrimination • increase in the degree of transmission independence (ownership or control) from generation in regions primarily without RTOs (continued on next page)	Target Met. During FY 2006, the Commission acted on a number of proceedings related to improving competitive market transparency and independence. Some actions by the Commission will have nationwide impact. In May 2006, the Commission issued a NOPR proposing amendments to its regulations and the *pro forma* OATT to ensure that transmission services are provided on a basis that is just, reasonable and not unduly discriminatory or preferential. The NOPR aims to strengthen the OATT and address deficiencies that have become apparent since its adoption 10 years ago, particularly in the areas of ATC calculation and transmission planning. In addition, the Commission approved four proposals by vertically integrated utilities (Duke, Mid-American, Entergy, and Louisville Gas & Electric) to contract with an independent entity to serve as the independent coordinator of transmission (ICT). The ICT performs oversight over these utilities' transmission systems, including authority to administer utilities' OATT. (continued on next page)

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
(continued from previous page) Demonstrable improvements in regional competitive market transparency and independence (continued on next page)	(continued from previous page) In each region of the country, there will be: • RTO adoption of additional market-oriented features, programs or rules • improvement of open access tariff to reduce entry barriers or eliminate undue discrimination • increase in the degree of transmission independence (ownership or control) from generation in regions primarily without RTOs (continued on next page)	(continued from previous page) Other actions taken on proceedings related to establishing new or revised market rules, rule changes in RTOs, and increased transmission independence were region-specific. For example: East In the New England area, the Commission issued an order accepting a proposal filed by ISO-NE and NEPOOL which included, most significantly, the addition of a locational component to the existing Forward Reserve Market and the coordination and optimization of pricing of energy and reserves in real time to be effective October 1, 2006, or later date. In addition, the Commission approved a contested settlement that provided an alternative to the Locational Installed Capacity mechanism called the Forward Capacity Market (FCM). The Commission found that the FCM, in conjunction with an interim mechanism, will provide the revenues needed by generators to preserve reliability in New England. The Commission also found that the forward looking nature of the FCM will provide appropriate price signals to investors when new infrastructure resources are necessary with sufficient lead time to allow that infrastructure to be put in place before reliability is sacrificed. (Continue on next page)

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
(continued from previous page) Demonstrable improvements in regional competitive market transparency and independence	(continued from previous page) In each region of the country, there will be: • RTO adoption of additional market-oriented features, programs or rules • improvement of open access tariff to reduce entry barriers or eliminate undue discrimination • increase in the degree of transmission independence (ownership or control) from generation in regions primarily without RTOs	(Continued from previous page) With respect to the PJM area, the Commission issued an initial order on PJM's proposed reliability pricing model (RPM) designed to replace its existing capacity obligation rules. The Commission found the existing capacity rules to be unjust and unreasonable to ensure energy resources to meet reliability responsibilities, and established further procedures to resolve the remaining issues. At the same time, the Commission encouraged the parties to continue to seek a negotiated resolution, and offered the Commission's settlement judge procedures to facilitate these discussions. Central: For the Midwest ISO region, the Commission approved the continuation of mitigation in Broad Constrained Areas; action on proposed revisions to real-time revenues sufficiency guarantee (RSG) payments; approval of revised rules defining less-than-seasonal FTR entitlements for network resources; approval of contractual arrangements related to the market monitor and balancing authorities; as well as offering guidance on Midwest ISO's future plans to implement ancillary service markets and an energy-only market. For the SPP region, the Commission provided guidance and approvals related to SPP's proposal to establish a real-time energy imbalance market. Regarding revisions to the OATT, the Commission approved various revisions to the Midwest ISO's creditworthiness provisions, reactive power requirements, as well as changes to the Midwest ISO *pro forma* interconnection agreement which reflect improvements or regional variations needed based upon its operational experience, including new pricing provisions. West: In September 2006, the Commission conditionally approved the CAISO MRTU market reforms and enhancements, such as a financially binding day-ahead market and more effective congestion management system. Elements of MRTU are intended to fix market design flaws, enhance reliability, better protect wholesale customers from price volatility and gaming, incorporate price-responsive demand in the markets, and encourage construction of new resources.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of section 203 applications processed	98% completed within 90 days of the comments filing date	Target Met. 100% of the 145 section 203 corporate filings were processed by target completion dates in FY 2006.
Issue final rule on RTO and ISO accounting to improve oversight of RTO and ISO costs	By January 31, 2006	Target met. A final order on RTO accounting and financial reporting was issued on December 16, 2005 in Docket RM04-12-000, Order No. 668.
Percentage of market-based rate filings processed	100% of new filings within 60 days of filing date	Target Met. 100% of the 534 market-based rate filings were completed by the targeted deadline in FY 2006.
Percentage of competitive energy markets and market institution cases set for hearing completed according to the established schedule	▪ 75% of Track I cases in 29.5 weeks ▪ 75% of Track II cases in 47 weeks ▪ 75% of Track III cases in 63 weeks	▪ There were no Track I cases ▪ 87% of Track II cases in 47 weeks ▪ There were no Track III cases
Percentage of competitive energy markets and market institution cases set for hearing that achieve partial or complete consensual agreement	75%	100%
Percentage of applications filed by RTOs and ISOs to revise market rules to not inhibit demand response processed	100% within statutory deadlines	Target Met. The Commission processed all 5 filings involving demand response enhancements within the statutory deadlines: ▪ PJM submitted agreements to enhance demand response in the PJM region in a number of ways, including allowing demand resources to participate in PJM's ASM by bidding into the PJM reserve markets. ▪ ISO-NE's ASM Phase II will include measures allowing the owners of demand resources to bid their resources directly into the energy and reserve markets on an equal footing with generating resources. This change will establish the supporting market infrastructure that is needed to develop fully the potential for demand participation in the wholesale markets. ▪ NYISO's filing eliminated the sunset dates for NYISO's Day-Ahead Demand Response Program and its Emergency Demand Response Program. ▪ ISO-NE's proposal to establish a demand response reserve pilot program to test whether certain resources can reliably provide 30-minute and 10-minute Operating Reserve services. ▪ CAISO's MRTU tariff provides loads with demand response capability the opportunity to participate in the CAISO day-ahead, real-time, and ancillary services markets under comparable terms as supply.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Support development of robust customer demand-side participation in energy markets in areas where it does not exist	Meet at least annually to discuss demand response issues with appropriate state commission officials	Target Met. Held technical conference on demand response in January 2006, where state representatives, including several state commissioners from all regions of the U.S., participated on panels. Met with NARUC officials in January 2006 to discuss Commission demand response report and seek their assistance in the FERC demand response and advanced metering survey. Met in April 2006 with Midwestern state officials, primarily Illinois Commissioners, on the development of a regional demand response initiative. Discussed demand response report with state officials and Commissioners at various events including the NARUC Winter Meeting in February 2006 and an EPRI Summer Seminar on Energy Efficiency and End-Use Technologies in August 2006.
Percentage of proposed NAESB business practice standards rulemakings completed	• 100% of non-controversial rulemakings within 9 months • 100% of controversial rulemakings within 12 months	Target Met. During FY 2006, the Commission issued a final rule adopting the Wholesale Electric Quadrant's controversial first set of business practice and communication standards within 12 months of receiving NAESB's complete proposal. Docket No. RM05-5-000; Final Rule, Order No. 676, "Standards for Business Practices and Communication Protocols for Public Utilities," was issued April 25, 2006.
Percentage of initial orders completed on third-party complaints	• 80% within 60 days • 95% within 180 days	60-day target not met. 49% (28 of 57 {1 projected}) issued within 60 days. This was an internal deadline, not statutorily based, and did not have a negative impact on operations. 180-day target met. 95% (49 {1 projected} of 51 {1 projected}) issued within 180 days.
Percentage of initial orders completed on fast track third-party complaints	90% within prescribed time frame	Target Met. One filing was received and completed on time.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Employ Best Practices In Market Rules		
Timeliness of review of proposed market rules	By the statutory due date or the applicants' requested date, whichever is later	Target Met. All 358 filings from PJM, ISO-NE, NYISO, NEPOOL, SPP, Midwest ISO, and California ISO were acted on by statutory due dates.
Percentage of proposed NAESB business practice standards rulemakings completed	• 100% of unopposed rulemakings within 9 months • 100% of all rulemakings within 12 months	Targets Met. The Commission issued two NAESB business practice standards rulemakings during the fiscal year, both completed within 9 months of issuance of the notice of proposed rulemaking, as follows: Docket No. RM05-5-003; NOPR issued February 20, 2007; Final Rule, Order No. 676-B, "Standards for Business Practices and Communication Protocols for Public Utilities," issued April 19, 2007; and Docket Nos. RM96-1-027 and RM05-5-001; NOPR issued October 25, 2006; Final Rule, Order 698, "Standards for Business Practices for Interstate Natural Gas Pipelines; Standards for Business Practices for Public Utilities," issued June 25, 2007.
Timeliness of applications processed on requests to encourage demand response in organized markets	Within 60 days of filing date or applicants' requested date, whichever is later	Target Met. All 15 filings were acted on within 60-day statutory due dates.
Reduce Barriers to Trade Between Markets and Among Regions		
Timeliness of review of filings to reduce or eliminate seams between organized markets	By the statutory due date or the applicants' requested date, whichever is later	Target Met. All 10 filings dealing with seams issues were completed by statutory due dates. In addition, two major orders were issued related to the California ISO's Market Redesign Technology Update (MRTU) addressing seams issues between CAISO and neighboring systems in the Western Interconnect. A technical conference was held on December 15, 2006, in Phoenix, Arizona, to address these western seams issues; and on March 29, 2007, a second conference was held in Washington, DC, to address eastern seams issues.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Assure Proposed Mergers and Acquisition Are in the Public Interest		
Percentage of merger authorizations upheld by the courts	90%	Target met. 100% of merger authorizations have been upheld by the courts.
Percentage of merged applicants reporting on compliance with merger conditions imposed by the Commission	100%	Target Met. 100% of the 9 merger applicants reported on compliance, *if* or *as* applicable, with the four types of conditions—summary, notice of consummation, proposed accounting entries, and additional conditions—imposed by the Commission. It should be noted that most of the "additional" conditions only require compliance in the event that the merger applicants subsequently take some specific action. For example, in 5 of the 9 mergers, the Commission imposed a "hold-harmless" condition, requiring that if the applicants seek to recover merger-related costs through jurisdictional rates, they must show offsetting merger-related cost savings. As of yet, none of the applicants have sought to recover any merger-related costs, so they haven't needed to make a compliance filing.
Timeliness of processing applications for the disposition, consolidation, or acquisition under section 203 of the FPA, of jurisdictional facilities (including transactions involving certain transfers of generation facilities and public utility holding company transactions, and issues of cross subsidization or encumbrances of utility assets)	• Within 180 days for non-major mergers • Within 360 days for major mergers	Targets Met. • 100% of the 100 non-major dispositions were completed within 180 days. • 100% of the 9 major merger cases were completed within 360 days.
Address Market Power in Jurisdictional Wholesale Markets		
Revise open access transmission tariff	Issue final rule by June 30, 2007	Target Met. Docket Nos. RM05-17-000 and RM05-25-000; Final Rule, Order 890, "Preventing Undue Discrimination and Preference in Transmission Service," issued February 16, 2007.
Timeliness of processing initial market-based rate filings	Within 60 days of filing date or by applicant's requested date, whichever is later	Target Met. 100% of the 167 initial market-based rate applications were completed by the established target date.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Develop generation market power screens for electric market based rates	Issue final rule by June 30, 2007	Target Met. Docket No. RM04-7-000; Final Rule, Order 697, "Market-Based Rates for Wholesale Sales Of Electric Energy, Capacity And Ancillary Services By Public Utilities," issued June 21, 2007.
Act timely on complaints	80% within 60 days or, for fast-track cases only, within the designated timeframe	Target not met; 78%. The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Employ Best Practices in Rules		
Percentage of initial orders completed on third-party complaints	• 75% filed with the Commission within 60 days of the date of the answer or by complainant's requested date, whichever is later • 90% filed with the Commission within 180 days of the date of the answer, or by complainant's requested date, whichever is later	• Target Met. 83% (40 of 48) filed within 60 days of the date of the answer. • Target met. 98% (47 of 48) filed within 180 days of the date of the answer.
Timeliness of review of proposed RTO/ISO market rules	100% by the statutory due date or the applicant's requested date, whichever is later	Target Met. 100% (410 out of 410) filings from PJM, ISO-NE, NYISO, NEPOOL, SPP, Midwest ISO, and California ISO were acted on by statutory due dates
Percentage of proposed NAESB business practice standards rulemakings completed	100% of all proposed rulemakings within 12 months of receipt of comments	Target Met. The Commission issued one NAESB business practice standards rulemaking. Docket No. RM05-5-005, NOPR issued April 21, 2008; Final Rule, Order No. 676-C, "Standards for Business Practices and Communication Protocols for Public Utilities," issued July 21, 2008 (three months later)
Timeliness of processing cases that encourage demand response in organized markets	100% of statutory cases processed within statutory deadlines, or by the applicant's requested date, whichever is later	Target Met. 100% (10 out of 10) filings were acted on by statutory due dates.
Industry and state outreach to increase Commission awareness and understanding on emerging energy issues	Participate in and/or facilitate 10 sessions per quarter	Target Met. Participated in and/or facilitated 34 sessions in first quarter, 36 sessions in second quarter, 33 sessions in third quarter, and 28 sessions in fourth quarter.

FY 2008		
Strategy		
Performance Measurement	**Performance Target**	**Results**
Reduce Barriers to Trade Between Markets and Among Regions		
Timeliness of processing complete filings to reduce or eliminate border utility issues between markets	100% processed by the statutory due date or applicant's requested date, whichever is later	Target Met. 100% (6 out of 6) filings dealing with border utility issues between markets were completed by statutory due dates.
Assure Proposed Mergers and Acquisitions are in the Public Interest		
Timeliness of processing complete filings for the disposition, consolidation, or acquisition, under section 203 of the FPA, of jurisdictional facilities (including transactions involving certain transfers of generation facilities and public utility holding company transactions, and issues of cross subsidization or encumbrances of utility assets)	100% processed within 180 days for-non-major dispositions 100% processed within 360 days for major dispositions	Target Met. 100% (142 out of 142) of non-major dispositions were completed by the statutory deadlines Target Met. 100% (7 out of 7) of major merger cases were completed by the statutory deadline.
Address Market Power in Jurisdictional Wholesale Markets		
Timeliness of processing initial electric market-based rate filings	100% processed within 60 days of the filing date of a complete application or by applicant's requested date, whichever is later	Target Met. 100% (156 out of 156) of initial market-based rate applications were completed by the established target date.

FY 2009		
Performance Measure	**Performance Target**	**Results**
Employ Best Practices in Rules		
Percentage of initial orders completed on third-party complaints	• 75% filed with the Commission within 60 days of the date of the answer or by complainant's requested date, whichever is later • 90% filed with the Commission within 180 days of the date of the an-swer, or by complainant's requested date, whichever is later	• Target met; 78% (28 of 36) filed within 60 days. • Target met; 97% (35 of 36) filed within the 180 days.
Timeliness of review of proposed RTO/ ISO market rules	100% by the statutory due date or the applicant's requested date, whichever is later	Target Met - 100% of the 221 filings from PJM, ISO New England, New York ISO, Southwest Power Pool, Midwest ISO, and California ISO were acted on by the statutory due dates
Timeliness of processing cases that encourage demand response in organ-ized markets	100% of statutory cases processed within statutory deadlines or by the applicant's requested date, whichever is later	Target Met - 100% of the 15 filings to encourage demand response were acted on by the statutory deadlines
Industry and state outreach to increase Commission awareness and understand-ing on emerging energy issues	Participate in and/or facilitate 10 sessions per quarter	Target Met - Participated in and/or facilitated 23 sessions in the first quarter, 24 sessions in the second quarter, 17 sessions in the third quarter, and 11 sessions in the fourth quarter of the fiscal year

FY 2009		
Performance Measure	**Performance Target**	**Results**
Reduce Barriers to Trade Between Markets and Among Regions		
Timeliness of processing complete fil-ings to reduce or eliminate border utility issues between markets	100% processed by the statutory due date or applicant's requested date, whichever is later	Target Met - 100% of the 8 filings dealing with border utility issues between markets were completed by the statutory due dates
Assure Proposed Mergers and Acquisitions are in the Public Interest		
Timeliness of processing complete fil-ings for the disposition, consolidation, or acquisition, under section 203 of the FPA, of jurisdictional facilities (including transactions involving certain transfers of generation facilities and public utility holding company transactions, and issues of cross subsidization or encumbrances of utility assets)	100% processed within 180 days for non-major dispositions 100% processed within 360 days for major dispositions	Target Met - 100% of the 95 non-major dispositions and the 1 major merger case were completed by the established deadlines
Address Market Power in Jurisdictional Wholesale Markets		
Timeliness of processing initial electric market-based rate filings	100% processed within 60 days of the filing date of a complete application or by applicant's requested date, whichever is later	Target Met - 100% of the 189 initial market-based rate applications were completed by the established target date
Revise and clarify Standards of Conduct	Issue Final Rule by December 31, 2008	Target met. Order No. 717 revising Standards of Conduct for Transmission Providers issued October 16, 2008, and became effective November 26, 2008.

Enforcement Performance Data.[15]

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Reduce duplicative information requests through coordination with CFTC	50% reduction by September 30, 2006	Target met. Investigations coordinated with CFTC on all known cases of joint interest and there were no known duplicative information requests.
Timeliness of verification of EQR submissions	Within 10 business days of submission	Target met. Verified within 10 business days.
Review EQR submissions for completeness and contact companies that make up at least 80% of reported revenue for incomplete submissions	Within 10 business days of submission	Target met. Contacted 100% of companies in the EQR database that had filed incomplete submissions within 10 business days of filing deadline.
Conduct follow up reviews of companies that make up at least 80% of reported revenue on exercise of market power or market manipulation	Within 60 days of final submission	Target Met. Conducted follow-up reviews of EQR filers that make up at least 80% of reported revenue for the third quarter of 2005 for market manipulation or exercise of market power within 60 days of final submission.
Timeliness of reporting to Commission on important market events	Analysis complete within 60 days of event	Target Met. Provided the Commission with seven presentations at open Commission meetings, 26 Weekly Market Reviews beginning in April 2006 reviewing weekly market developments and performance, and seven end-of-day summaries on market conditions during heat waves in the summer of 2006.
Percentage of Hotline calls resolved	60% within 2 weeks of initial contact	Target Met. Since October 1, 2005, 80% of hotline calls were resolved within two weeks of initial contact.
Percentage of non-environmental, non-tribal ADR processes (agreed to by parties) concluded	75% within 120 days (convening and process)	Target Met. The DRS completed 25 cases in FY 2006 that were non-environmental and non-tribal, and in which the parties agreed to pursue an ADR process. Of these, 22 were completed within 120 days after being referred the DRS (88%).
Number of ADR requests and referrals to the DRS	Minimum number of requests and referrals equal to FY 2004	Target Met. The DRS addressed 70 new requests or ongoing cases from a previous year, involving gas, electric, hydroelectric, oil, and pipeline matters. This represents a 29.6% increase over FY 2004.
Favorable DRS customer satisfaction	80% customer satisfaction rate	Target Met. For training given by DRS, customer satisfaction rate was 89%. For casework concluded in FY 2006, all participants who completed evaluations gave the DRS staff favorable comments, for a satisfaction rate of 100%.
Percentage of market manipulation cases set for hearing completed according to the established schedule	• 75% of Track I cases in 29.5 weeks • 75% of Track II cases in 47 weeks • 75% of Track III cases in 63 weeks	There were no Track I, II, or III cases
Percentage of market manipulation cases set for hearing that achieve partial or complete consensual agreement	75%	100%
Timeliness of reporting to the Commission on operational audits	85% reported to the Commission within 120 days of Commencement Letter	Target Met. Since the beginning of the rating year, 100% of operational audits were reported to the Commission within 120 days of Commencement Letters.

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[15] This performance data is aligned with the former Strategic Goal: Enforcement.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of operational audit recommendations issued and implemented	85%	Target Met. 100% of operational audit recommendations have been issued and implemented.
Timeliness of reporting to the Commission on financial audits	85% reported to the Commission within 120 days of Commencement Letter	Target Met. Since the beginning of the rating year, 100% of financial audits were reported to the Commission within 120 days of Commencement Letters.
Percentage of financial audit recommendations issued and implemented	85%	Target Met. 100% of financial audit recommendations have been issued and implemented.
Timeliness of reporting to the Commission on Standards of Conduct compliance audits	85% reported to the Commission within 120 days of Commencement Letter	No Standards of Conduct compliance audits were initiated during FY 2006.
Percentage of Enforcement investigations completed	75% within one year	Target Met. From October 1, 2005 to the present, 88% of cases were closed within one year (84% within 9 months and 60% within 6 months).

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Identify and Remedy Problems with Structure and Operations In Energy Markets		
Timeliness of verification of EQR submissions	Within 10 business days of submission	Target met. 100% verification within 10 business days.
Evaluate and improve the usefulness of EQR data	▪ Issue a data dictionary for all undefined fields with restricted entries ▪ Review the current EQR data structure and develop written recommendations for improvements	Targets met. Issued Final Order in Docket No. RM01-8-006 on September 24, 2007 which defined all EQR fields and improved EQR data structure.
Number of RTO and ISO MMU performance metrics	Increase over FY 2006	Target met. One new RTO and ISO MMU performance metric was developed in FY2007 (increasing the number of performance metrics from 11 in FY 2006 to 12 in FY 2007).
Timeliness of initiating or deciding action on MMU referrals	80% acted on within 30 days	Target met. 100% acted on within 30 days.
Percentage of organized markets reviewed and market structure and operations problems or deficiencies identified	100% reviewed and reports completed identifying market problems or deficiencies, if any, and recommended solutions	Target met. 100% of organized markets reviewed in daily oversight meetings, including all RTO/ISO markets, NYMEX, ICE and other relevant markets. Results of continuing review communicated to Commissioners via Weekly Reports and to the public via the Market Oversight website and the State of the Markets Report. Seven major structure and operations problems were identified.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Timeliness of actions on problems or discrepancies identified in reviews of organized markets	With 6 months of completed report	Target met. Addressed all seven identified issues within six months of identification. Issues included: prices over $400 in West, lack of transparency for intrastate pipelines, lack of transparency for natural gas sales and purchases, need to clarify role of MMUs in RTOs, PJM/MISO transmission issues, CenterPoint data reporting, and Rockies Gas Prices.
Publish annual assessment of infrastructure and market conditions for each region	Complete by June 30, 2007	Target met. The State of the Markets Report was completed in February 2007 and detailed market and infrastructure issues for the country as a whole. In addition the Seasonal Assessment was published for electric power on May 17, 2007, specifically addressing summer 2007 and the new Market Oversight website provides updates and detailed information for each region on a monthly basis.
Establish Clear and Fair Processes		
Improve Forensic Audits and Investigations IT tools	Implement capability to search e-mails and voice recordings by June 30, 2007	Target met. The capability to search voice recordings was implemented beginning in September 2006 and the capability to search e-mails was implemented beginning in August 2006.
Improve Forensic Audits and Investigations capabilities	90% of enforcement and compliance staff participate in forensics training and interviewing skills by June 30, 2007	Target met. 95% of enforcement and compliance staff received training on forensic interviewing and auditing. Classes were held in August 2005 and May 2006.
Timeliness of reporting to the Commission on operational audits	100% reported to the Commission within 120 days of Commencement Letter	Target met. 100% of operational audits (24 out of 24 from 10/1/06 – 9/30/07) were reported to the Commission within 120 days of the Commencement Letter.
Percentage of operational audit recommendations issued and implemented	90%	Target met. 100% of operational audit recommendations issued were implemented within 6 months.
Timeliness of reporting to the Commission on financial audits	100% reported to the Commission within 120 days of Commencement Letter	Target met. 100% of financial audits (43 out of 43 from 10/1/06 – 9/30/07) were reported to the Commission within 120 days of the Commencement Letter.
Percentage of financial audit recommendations issued and implemented	90%	Target met. 100% of financial audit recommendations issued were implemented within 6 months.

FY 2007		
Strategy		
Performance Measurement	**Performance Target**	**Data Source**
Conduct Investigations Promptly and Impose Penalties Where Appropriate		
Percentage of enforcement investigations completed	75% within one year of initiation	Target met. 94.8% of investigations were closed within a year of being initiated.
Percentage of Hotline calls resolved	70% within 2 weeks of initial contact	Target met. 75% of Hotline calls were resolved within 2 weeks of initial contact.
Encourage Self-Policing and -Reporting of Violations		
Percentage of regulated entities audited to ensure internal compliance programs and processes are in place	85% of regulated entities included in annual audit plan	Target met. 95% of regulated entities included in the annual audit plan were audited (74 out of 78).
Timeliness of responses to regulated entities seeking guidance and clarification on compliance issues	Within 60 days	Target met. Responded to 100% of regulated entities seeking guidance and clarification on compliance issues within 60 days.
Timeliness of completing recommendations on compliance issues raised by regulated entities	Within 180 days, where Commission action is required	Target met. 100% of recommendations to the Commission (where Commission action was required) were completed within 180 days of completing an investigation originated by a self report.
Timeliness of reporting on compliance issues raised by regulated entities	Reports completed monthly	Target met. The Pending Case Report is issued at the end of each month and reports on compliance issues (i.e., self reports) raised by regulated entities.

FY 2008		
Strategy		
Performance Measure	**Target**	**Results**
Identify and remedy problems with structure and operations in energy markets		
Regular monitoring of natural gas and electric markets with significant issues of market structure and operations identified	Weekly reporting of significant issues of market structure and operations	Target Met. 45 Weekly Market Reviews (WMR) were produced. In 2 other instances, market conditions were summarized at the Commission's monthly meeting. In addition to the 45 WMRs published, 13 special reports providing in-depth analysis of emerging market issues were also published.
Timeliness of actions on significant issues identified by regular monitoring of natural gas and electric markets	Within 6 months of completed report	Target Met. Actions on all significant issues were completed within 6 months.
Complete transition of consolidated reporting to a web strategy	Complete by June 30, 2008	Target Met. The transition of this web strategy was completed in March 2008 when the State of the Markets report was published to the Oversight page (http://www.ferc.gov/market-oversight/market-oversight.asp) on the external FERC website.

FY 2008		
Strategy		
Performance Measure	**Target**	**Results**
Establish clear and fair processes		
Apply current clear and fair processes to investigations during the fiscal year	Provide recommendations to the Commission for each proposed remedy and penalty with clear and consistent criteria	Target met. The Commission was provided with a written memo and recommendations for each of the six settlements approved in FY 2008.
Develop and provide further guidance to the industry on FERC's expanded penalty authority	By September 30, 2008	Target met. The revised Policy Statement on Enforcement was issued on May 15, 2008.
Timeliness of reporting to the Commission on operational audits	Within 120 days of the Commencement Letter	Target Met. 100% (30 out of 30)
Percentage of operational audit recommendations issued and implemented	90% within 6 months	Target Met. 99% (94 out of 95)
Timeliness of reporting to the Commission on financial audits	Within 120 days of the Commencement Letter	Target Met. 100% (37 out of 37)
Percentage of financial audit recommendations issued and implemented	90% within 6 months	Target Met. 100% (23 out of 23)
Conduct investigations promptly and impose penalties where appropriate		
Timeliness of initiating or deciding action on MMU referrals	80% acted on within 30 days	Target Met. 100% acted on within 30 days.
Percentage of enforcement investigations not including market manipulation issues completed	75% within one year of initiation	Target Met. 89% completed within one year of initiation.
Percentage of market manipulation enforcement investigations completed	75% within two years of initiation	Target Met. 100% completed within two years of initiation.
Percentage of Hotline calls resolved	70% within 2 weeks of initial contact	Target Met. 78% resolved within 2 weeks of initial contact.
Encourage self-policing and -reporting of violations		
Percentage of regulated entities audited to ensure internal compliance programs and processes are in place	85% of regulated entities included in annual audit plan	Target Met. 97% (77 out of 79).
Process complete requests for "No Action"	Within 60 days of receipt of final request	Target Met. All five requested no-action letters were all completed in less than 60 days.
Timeliness of reporting on compliance issues raised by regulated entities	Reports completed monthly	Target Met. Monthly pending case reports were issued for self-reports of compliance issues.

FY 2009		
Performance Measure	**Performance Target**	**Results**

Identify and remedy problems with structure and operations in energy markets		
Regular monitoring of natural gas and electric markets with significant issues of market structure and operations iden-tified	Weekly reporting of significant issues of market structure and operations	Target Met. The Division of Energy Market Oversight (DEMO) produced a Weekly Market Review (WMR) in 48 weeks during FY 2008. The weeks during which we did not publish a WMR occurred during holiday periods. These WMRs included 24 special reports that provided in depth analysis of emerging market issues.
Timeliness of actions on significant issues identified by regular monitoring of natural gas and electric markets	Within 6 months of completed report	Target Met. The Division of Energy Market Oversight completed all items within 6 months.
Fully implement the Research in Market Oversight (RIMO) program	Perform at least four RIMO projects per year	Target Met. The Division of Energy Market Oversight hosted staff of Italy's Regulatory Authority for Electricity and Gas. In addition, DEMO has hosted over ten foreign delegations and State Public Service Commission representatives in the Market Monitoring Center.

Establish clear and fair processes		
Apply current clear and fair processes to investigations during the fiscal year	Provide recommendations to the Commission for each proposed remedy and penalty with clear and consistent criteria	Target met. Submitted recommendations for civil penalties to be assessed on 16 subjects. Each recommendation included discussion of facts, analysis of applicable Policy Statement factors, and comparison to actions taken in similar cases.
Timeliness of reporting to the Commis-sion on operational audits	Within 120 days of the Commencement Letter	Target met. 100 percent (19/19) of operational audits reported to the Commission within 120 days.
Percentage of operational audit recommendations issued and implemented	90% within 6 months	Target met. 99 percent (75/76) of operational audit recommendations implemented in 6 months.
Timeliness of reporting to the Commis-sion on financial audits	Within 120 days of the Commencement Letter	Target met. 100 percent (9/9) of financial audits reported to the Commission within 120 days.
Percentage of financial audit recommendations issued and implemented	90% within 6 months	Target met. 100 percent (36/36) of financial audit recommendations implemented in 6 months.

FY 2009		
Performance Measure	**Performance Target**	**Results**

Conduct investigations promptly and impose penalties where appropriate		
Timeliness of initiating or deciding action on MMU referrals	80% acted on within 30 days	Target met. Four MMU referrals were received and all were acted on within 30 days.
Percentage of enforcement investiga-tions not involving market manipulation issues completed	75% within one year of initiation	Target not met. 41% of non-manipulation investigations completed in FY 2009 (9 of 22) were completed within one year. This target was missed due to circumstances surrounding two major market manipulation cases in which management was required to shift staff resources from non-market manipulation cases to these two high-profile market manipulation cases. This did not have a negative impact on the performance of the enforcement program. To the contrary, the successful outcome of these market manipulation cases demonstrates the strength of the Commission's enforcement program. The Commission has consistently met this target in previous years.
Percentage of market manipulation enforcement investigations completed	75% within two years of initiation	Target met. All market manipulation investigations completed in FY2009 were completed within two years.
Percentage of Hotline calls resolved	70% within 2 weeks of initial contact	Target met. DOI received 502 Hotline calls and closed 485 Hotline matters. 70.5% of the calls were resolved within two weeks of initial contact.

Encourage self-policing and -reporting of violations		
Percentage of regulated entities audited to ensure internal compliance programs and processes are in place	85% of regulated entities included in annual audit plan	Target met. 100 percent of regulated entities included in annual audit plan audited to ensure internal compliance programs and processes are in place.
Process complete requests for "No Ac-tion"	Within 60 days of receipt of final request	Target not met. Three out of four No-Action letters were issued in fewer than 60 days; the fourth was issued in 69 days. This did not have a negative impact on the program.
Timeliness of reporting on compliance issues raised by regulated entities	Reports completed monthly	Target met. Compliance issues raised by regulated entities are reported monthly as part of the DOI Pending Case Report.

Supporting Initiatives Performance Data.[16]

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of summer interns hired into permanent positions	30%	Target Not Met. 14.3% of summer interns eligible to be rehired accepted offers of permanent employment. Conversions of summer interns have steadily declined since its high in 2003 with 33%. As EPAct of 2005 requirements have evolved, the need for skill sets not represented in the summer intern population has dictated hiring from other sources. This measure is omitted in 2007 and reduced in 2008 to 20%.
Implement entry-level Professional Development Program	Complete by September 30, 2006	Target Met. FERC Entry-Level Retention Program distributed to Program Offices in September 2006.
Percentage of minorities among senior-level positions (GS-14, GS-15, SL, and SES positions)	Increase over FY 2005	Target Met. Percentage of minorities among senior-level positions increased by 1% over FY 2005.
Implement Commission-wide Business Requirements guidelines	Complete by September 30, 2006	Target Met. Commission-wide Business Requirements Guidelines distributed to the Training Council in September 2006
Reliability of IT infrastructure	99% network availability rate	Target Met.
FISMA compliance according to the Putnam scorecard	Grade of "A"	Target Met. FERC received a grade of an "A" based on the Putnam scorecard for its most recent FISMA report which ended September 30, 2006.
Integrate the Business Plan, CPIC process, and IT architecture into the Commission's Enterprise Architecture	Complete by September 30, 2006	Target Met. DCIO's current CPIC process requires all requests to map to the FERC Business Plan. Pursuant to the CPIC process IT projects are approved or denied based on a number of criteria one being whether or not it supports the Commission's mission. Approved IT projects generate a Control Board action producing document. The data from the approved CCN is used to update the IT architecture which is entered into the Commission's Enterprise Architecture through the use of the Metis tool.
Percentage of approved IT initiatives with supporting documentation per the Commission's CPIC process	100%	Target Met. The CPIC Investment Review Board approved 21 projects of which all 21 went through the CPIC review process. Therefore, 100% of the approved IT projects went through the CPIC approval process.
Establish earned value management schedule and cost performance indices for all major projects	Complete by September 30, 2006	Target Met. As implemented in FERC Capability Maturity Model Integration level 2 (CMMI-2) policies and procedures, EVM is used to measure progress on major projects and major phases of multi-phased projects.

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[16] This performance data is aligned with the former Strategic Plan's Supporting Initiatives section.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Develop and implement automated Business plan	Complete by September 30, 2006	Target Not Met. Though Software development for Phase 2 of the Activity and Tracking Management System (ATMS) has been completed, the target was not met because extensive testing of Phase 2 due to integration with other eGovernment systems will push deployment to February 2007. Though Phase 2 will support business plan reporting that is integrated with the HR time reporting system (MAPS), that reporting will depend on requisite information (e.g. proper use of time reporting codes, MAPS data, etc.) input by FERC's program and other offices. And since full automation will require Commission-wide deployment (Phases 3 and 4) and additional reporting requirements definition and software development, the target will not be fully met until ATMS Phase 4. Since manual processes for business planning will remain in place until they are replaced by an automated Business plan, there is no impact on operations or program performance.
Percentage of qualified-procurements that are performance-based	100%	Target Met. Of the 676 actions awarded during the period, a total of 78 actions were identified as performance-based. All 78 of these actions were awarded under performance-based contracts.
Percentage of qualified-procurements that are advertised on-line	100%	Target Met. Of the 676 actions awarded during the period, a total of 4 actions qualified for on-line advertisement, and all 4 actions were advertised on-line with Federal Business Opportunities (fedbizops).
Percentage of total procurement dollars awarded to small, women-owned, and minority businesses	5% increase over FY 2005	Target Met. In FY 2005, the Commission awarded 22% of its total procurement dollars to small, women-owned and minority businesses. In FY 2006, the Commission awarded 34% of its total procurement dollars to these entities which constitutes a 12% increase over the FY 2005 performance level.
Percentage of invoices paid via electronic funds transfer	99%	Target Met. During FY 2006, the Commission paid 99% of its invoices via EFT.
Percentage of payments in compliance with Prompt Payment Act deadlines	100%	Target Not Met. During FY 2006, the Commission processed 94% of its payments in compliance with Prompt Payment Act deadlines. The primary cause was the Commission's acceptance of invoices during the FY 2006 Continuing Resolution (October - December) which could not be paid. Since January, the Commission has processed 98% of its payments in compliance with Prompt Payment Act deadlines.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of payments made without error	100%	Target Not Met. During FY 2006, the Commission made 99% of its payments without error. The failure to meet this target did not have an adverse affect on overall program performance.
Timeliness of collecting accounts receivable	90% of invoices collected by due dates	Target Met. During FY 2006, the Commission collected 94% of its invoice balances by the stated due date.
Complete and accurate annual financial statements	Unqualified opinion on audited financial statements	Target Met
Percentage of filings capable of being received electronically	95%	Target Not Met. 42% of all document types are currently capable of being received electronically. Meeting the target has been delayed because of two primary factors: 1) The Commission has been responsive to industry feedback regarding the most efficient way for tariff filings to be filed electronically and has extended the prototyping and discussion of proposed solutions; and 2) The Commission has delayed to improve infrastructure (supporting database, storage, server, and disaster recovery infrastructure). To mitigate the effects of the delay the Commission encourages the filing of non-eFiling-capable documents on digital media (CD, DVD); routinely accepts non-eFiling-capable documents electronically on an exception basis when requested by filers; and performs OCR and full-text indexing on documents submitted on paper. In addition, the Commission is actively planning and gathering requirements for an eFiling system release that will meet the target. Given the mitigation efforts, there have been no negative impacts on program performance or operations.
Percentage of Commission orders approved during open meetings issued	99% within 5 business days	Target Met. 321 agenda items were approved in open meeting during the rating period. All but 2 were issued within 5 business days.
Percentage of Commission orders approved by notational vote issued	99% within 1 business day of adoption date	Target Not Met. 933 agenda items were approved through the notational process. 40 items were issued after one day of adoption date; these were all issued on the following business day. Percentage is 96%. This is a remarkable accomplishment considering the significant increase in notational items during this appraisal period and the target did not change from last appraisal period. This did not have a negative impact on operations.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of legally required notices issued	95% within 3 business days of being posted on eLibrary	Target Not Met. This measure includes notices for electric rate filings prepared by the Secretary; notices for other industries are prepared by program offices. Number of electric rate notices during the appraisal period is 2,667. Of these, 632, or 76%, were issued three days after filing was posted on eLibrary. This target was not met due to staff shortages. However, no Commission proceeding or action was negatively affected.
Percentage of press releases on important agency actions issued	95% within 1 hour of order being issued	Target Met. In FY 2006, 90 out of 92 or 97.8% of press releases were issued within 1 hour of action being taken.
Percentage of responses to public inquiries	▪ 60% within 3 business days ▪ 100% within 5 business days	Target Met. In FY 2006, OEA responded to approximately 2,800 public inquiries. Over 90% of these inquiries were responded to within 1 business day of receipt. All public inquiries were responded to within 5 business days.
Percentage of agency actions and time-sensitive content posted on the FERC Internet Website	95% within 1 hour of order being issued	Target Met. In FY 2006, 3,159 of 3,201 or 98.7% of important agency actions were posted on the Commission's internet website within 1 hour of issuance.
Timeliness of notices to NEB (Canada) and CRE (Mexico) of FERC activities pursuant to MOU	Within 1 business day	Target Met. The NEB and CRE are routinely notified of significant Commission activities that impact their respective countries through emails with summaries and links to these orders within one business day of the order being issued.
Timeliness of regional hearings or conferences email notifications sent to State officials and Governors	Within 1 business day	No regional hearings/conferences took place during the review period.
Submit FY 2005 Annual Report to Congress	Complete by June 30, 2006	Target Not Met. FY 2005 Annual Report has not been sent to Congress. The target was not met due to a significant change in the format of the Annual Report to improve the overall product by making it more targeted to the audience groups. The decision to re-format the Annual Report to track the agency's Strategic Plan resulted in a significantly more time-consuming review process and an extended period for obtaining the content for the Annual Report. There were no negative impacts on operations. The process for the FY 2006 Annual Report has already been initiated and the expectation is that the target will be met.
Submit FY 2005 international exchange and training activity data to U.S. Department of State	Complete by April 1, 2006	Target Met. FY 2005 international exchange and training activity data was sent to the U.S. Department of State in March 2006.

FY 2006		
Performance Measurement	**Performance Target**	**Data Source**
Submit FY 2005 FOIA Annual Report to Department of Justice	Complete by February 1, 2006	Target Met. FY 2005 FOIA Annual Report to the Department of Justice was submitted on January 27, 2006.
Submit FY 2005 Information Quality Agency Annual Report to the Office of Management and Budget (OMB)	Complete by January 1, 2006	Target Met. FY 2005 Information Quality Agency Annual Report was submitted to OMB prior to January 1, 2006.

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Develop and implement a competency-based requirements framework	Complete by January 31, 2007	Target Met. Framework developed in January, 2007. Implementation ongoing with mainstream occupations.
Percentage of women and/or minorities among all positions	Increase over FY 2006	Target Met. FY 2007 percentage for women was 52.9%. Increased percentage over FY06 by 8% (FY 2006 - 44.5%). FY 2007 percentage for minority women was 20.6%. Increased percentage over FY06 by 1.1% (FY 2006 – 19.5%).
Improve retention ratio of entry-level new hires	Increase FY 2006 ratio by 10%	Target Met. Retention ration for FY 2007 hires was 100% (FY 2006 percentage was 95%).
Implement workforce planning tools	Complete by September 30, 2007	Target Met. Implemented Hiring Gap Spreadsheet and Personnel Status Report. Continue to prepare and publish the Human Capital Plan.
Timeliness of submitting Fair Act Inventory to OMB per Circular A-76 requirements	Complete by June 30, 2007	Target Met. FY 2007 FAIR Act was submitted to OMB 6/30/07.
Customers are satisfied with the use of eGovernment initiatives to interact with FERC	90%	Target Met. The customer satisfaction level for FERC eGov Services exceeds 96% based on data collected from the external users surveys.

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Federal FTE time is mapped through systems to workload and strategic goals and objectives	Fully implemented by September 30, 2007	Target Not met. With the deployment of ATMS Phase 2 in February FY07 the following offices are fully able to map workload to strategic goals and objectives using an enterprise-wide system: OAL, OED, OGC, and OEMR (now OEMR and OER). For the following offices, some divisions are able to map workload to strategic goals and objectives using an enterprise-wide system while other divisions can map workload to strategic goals and objectives but must continue to use legacy, departmental, and/or cuff systems: OEA, OALJ, OE, OEP. Mapping of workload in terms of FTE time requires both a revision of budget reporting codes and development of a report that correlates information in the enterprise-wide workload tracking system with information in the FERC HR system. The complete implementation of all ATMS phases will take longer than planned due to contract staffing reductions from funding shortages under a yearlong FY 2007 continuing resolution and because the effort was underestimated. A detailed plan for ATMS Phase 3 is currently under review and the target may not be fully met in FY 2008.
Align Commission costs to strategic objectives	Complete by September 2007	Target Met. The FY2009 Budget Request has been structured to map both FTEs and the Commissions costs to strategic objectives and was completed on September 10, 2007.
Percentage of vendor payments made by established due dates	99%	Target Not Met. During FY07, the Commission processed 97.1% (1897 out of 1953) of payments in compliance with Prompt Payment Act deadlines. 37 of the 56 late payments did not result in interest begin paid to the vendor. The failure to meet this target did not have an adverse affect on overall program performance.

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Percentage of payments made without error	100%	Target Not Met. During FY 2007, the Commission made 99.7% of its payments without error. The failure to meet this target did not have an adverse affect on overall program performance.
Timeliness of collecting accounts receivable that offset the Commission's appropriation	95% collected by due dates	Target met. During FY 2007, the Commission collected 99.5% of its offsetting accounts receivable by their stated due date.
Financial statements that present fairly, in all material aspects, the Commission's financial position	Unqualified audit opinion on FY 2006 financial statements	Target Met. Unqualified opinion received November, 2006
Percentage of transactional case assessments or convening sessions concluded	75% within 20 days	Target Met. DRS completed 100% (41 out of 41) transactional case assessments or convening sessions within 20 days after being referred to the DRS.
Percentage of transactional ADR processes agreed to by parties concluded	75% within 120 days total (convening and process)	Target Met. DRS completed 34 transactional processes or cases, both environmental and non-environmental in which parties agreed to pursue an ADR process. Of these, 31 were completed within 120 days after being referred to the DRS (91%).
Number of ADR requests and referrals to the DRS	Increase number over FY 2004 (base year)	Target Met. DRS addressed a total of 79 new requests or ongoing cases from a previous fiscal year involving gas, electric, hydropower, and pipelines. This represents a 46.3% increase over FY2004, in which there were 54 new requests or ongoing cases.
Favorable DRS customer satisfaction for casework and outreach	80% customer satisfaction rate	Target Met. The DRS requests customer feedback through evaluations of casework processes, and training sessions. For casework concluded in FY2007, all participants who completed evaluations gave the DRS staff favorable comments, for a satisfaction rate of 100%. In training sessions during FY 2007, participant ranking for Course Content averaged 90%, Course Materials averaged 88%, and Instructor Effectiveness averaged 94%.
Number of outreach events (e.g., trainings, workshops, and presentations) to promote the use of dispute resolution skills	Increase number over FY 2004 (base year)	Target Met. There were 65 active outreach projects in FY2007. This represents a 1.6 % increase over 2004 in which there were 64 projects. Note: The projects were both internal and external to FERC.

FY 2007		
Performance Measurement	**Performance Target**	**Data Source**
Ensure timely and effective communication to all stakeholders	• Issue 95% of press releases for important agency actions on the same day as the underlining action • Post 95% of important agency actions on the same day as the underlining action • Provide an initial and complete response to 70% of inquiries at the time of the receipt of the request • Develop webpages within the assigned timeframe to enhance and support the Commission's initiatives and goals	Targets Met. • In FY 2007, 80 out of 80 or 100% of press releases were issued within 1 hour of action being taken. • In FY 2007, 3816 of 3820 or 99% of important agency actions were posted on the Commission's internet website within 1 hour of issuance • In FY 2007, the office provided an initial and complete response to 2272 of 2791 or 81% of public inquiries at the time of receipt. • In FY 2007, the Commission developed the following webpages in the assigned timeframe: Market Oversight, Electric Competition, OATT Reform, Blanket Certificates, Transmission Investment, Pipeline, Hydrokinetic Energy, MOU, Policy Statement, Hydro licensing, Annual Charges, Career, Media form, and FOIA form.
Enhance communication with National and International groups	• Respond to 50% of Official Congressional correspondence within 10 business days • Provide email notification of significant Commission actions to Congress within 1 to 2 business days of the underlining action along with briefing offers where appropriate • Provide timely and effective briefings to members of Congress • Provide email notification of significant Commission actions to effected State regulatory agencies within 1 to 2 business days of the underlining action • Accommodate visitation requests from delegations from various countries and organizations	Targets Met. • 130 out of 205 pieces of official Congressional correspondence, or 63%, were responded to within 10 business days. • In FY 2007, email notifications to members of Congress were sent out on 340 significant Commission actions within 1 to 2 business days of the underlining action. Briefing offers were made on appropriate items. • In FY 2007, the Commission provided 38 briefings to members of Congress. • In FY 2007, 178 email notifications to State regulatory agencies were sent out on significant Commission actions within 1 to 2 business days of the underlining action. • In FY 2007, OEA hosted 71 visits from 75 countries and organizations.
Percentage of cases set for hearing that achieve partial or complete consensual agreement	75%	Target Met. 88% of cases set for hearing achieved partial or complete consensual agreement.
Percentage of cases set for hearing completed according to the established schedule	• 75% of Track I cases in 29.5 weeks • 75% of Track II cases in 47 weeks • 75% of Track III cases in 63 weeks	Targets Met. • There were no Track I cases. • 80% of Track II cases in 47 weeks. • 88% of Track III cases in 63 weeks.
Issue well-reasoned initial decisions, based on facts, law, and Commission policies which are upheld in whole or in part	80% of initial decisions upheld in whole or in part	Target Met. 91% of initial decisions were upheld in whole or in part.

FY 2008		
Performance Measure	**Performance Target**	**Results**
Number of ADR requests and referrals addressed by DRS	Increase number over FY 2004	Target Met. The DRS addressed 57 new ADR requests and referrals; 3 more than FY 2004.
Percentage of mediated or facilitated case that achieve partial or complete consensual agreement	75%	Target Met. The DRS had a 90% (18 out of 20) success rate in assisting parties achieve consensual resolution of cases.
Favorable DRS customer satisfaction for casework and outreach	80% customer satisfaction rate	Target Met. In trainings and workshops during the period, participant ranking for Course Content averaged 89% and Instructor Effectiveness 93%. For casework, all participants who completed evaluations gave the DRS staff favorable comments, for a satisfaction rate of 100%.
Number of outreach events (e.g., trainings, workshops, and presentations) to promote the use of dispute resolution skills	Increase number over FY 2004	Target Not Met. The DRS delivered or assisted with 37 outreach events, equal to the number in FY 2004. The DRS met all of the outreach needs and there were no negative program impacts.
Of ADR processes concluded, percentage that resulted in savings of time and/or money over traditional processes	75%	Target Met. 100% of participants who completed a survey indicated that the use of ADR resulted in savings of time and/or money over traditional processes.
Percentage of cases set for hearing that achieve partial or complete consensual agreement	75%	Target Met. 91%
Ensure timely and effective communication to all stakeholders	• Issue 95% of press releases for important agency actions within 1 hour of action being taken • Post 95% of important and time-sensitive agency actions on the Commission's internet website within 1 hour of issuance • Provide an initial and complete response to 70% of inquiries at the time of the receipt of the request • Develop webpages within the assigned timeframe to enhance and support the Commission's initiatives and goals	• Target Met. 95% (71 out of 75) press releases were issued within 1 hour of action being taken. • Target Met. 100% (4,004 out of 4,005) important and time-sensitive actions were posted within 1 hour of action being taken by the Commission. • Target Met. 74% (3,833 out of 5,149) of inquiries were provided a complete response at the time of the receipt of the request. • Target met. 19 new web pages and/or sections on FERC.gov were developed within the assigned timeframe.

FY 2008		
Performance Measure	**Performance Target**	**Results**
Enhance communication with National and International groups	• Provide responses to 95% of Congressional inquiries and briefing requests by the date requested or by 10 business days from the date of the request • Provide email notification of significant Commission actions to Congress within 1 to 2 business days of the underlying action along with briefing offers where appropriate • Provide timely and effective briefings to members of Congress and State Officials within the timeframe requested and initiate at least three briefings on top priority issues within timeframe appropriate to effect that issue • Provide email notification of outreach efforts (i.e., panel discussions, workshops, conferences or other forums) to State Officials and Governors within 3 business days • Respond to 80% of international delegation meeting requests within 3 business days of rendering a decision	• Target Met. 100% (61 out of 61) briefings were held and (318 out of 318) congressional inquiries were responded to within 10 business days of the request. • Target Met. Email notifications concerning 292 significant Commission actions were sent within 1 to 2 business days of the underlying action. • Target Met. 61 timely and effective briefings with members of Congress were held. Briefings on the top priority issues of cyber security; market manipulation; and transmission line siting were held within appropriate time frames. State officials were also briefed on these issues. • Target Met. Staff provided 19 notifications of outreach efforts within 3 business days, and within at least 30 days' notice of public meetings for two additional outreach items. • Target Met. 82% (40 out of 47) of requests were responded to within 3 business days.
Maintain an effective recruiting program	• Recruit at least 3 students each from at least 4 target universities • Increase new hires from recruiting program by 10 over FY 2007 • Hire 20% of interns into permanent positions	Target Met. A total of 19 students were recruited from 4 target universities. Target Met. 58 new hires in FY 2008; 41 more than FY 2007 Target Met. 36% (4 out of 11) of summer interns from FY 2007 hired in FY 2008.
Implement employee development programs	• Launch leadership development program • Develop competency based training for mainstream occupations	Target Met. The LDP was launched in October 2007. 15 candidates will graduate from program in February 2009. Target Met. A competency assessment tool for competency based training needs analysis was launched in September 2008 and will be included in the FY 2009 Central Training Fund prioritization.

FY 2008		
Performance Measure	**Performance Target**	**Results**
Maintain an effective performance management system	▪ All employees receive training annually ▪ Provide feedback to managers to ensure ratings reflect meaningful distinctions between performance ▪ High achievers are rewarded appropriately	Target Met. FERC Non-Supervisory Employees received training in August and September 2008. Target Met. All FERC managers received feedback on ratings and training on meaningful distinctions during the corresponding rating cycle of their program office. Target Met. Report analysis shows that higher monetary awards are commensurate with higher performance ratings.
Ensure appropriate representation of women and minorities at all levels within the organization	Increase over FY 2007 baseline	Target Not Met. Women. The representation of women was 45.5% in FY 2008, a 7.4% decrease from FY 2007. Minorities. Overall, the representation of minorities was 32.7% in FY 2008, a 0.5% decrease from FY 2007.
Maintain reliable financial management systems which generate accurate and timely financial information to support operating, budget, and policy decisions	▪ Unqualified audit opinion on financial statements ▪ Unqualified assurance assertion on internal controls	Target Met. Unqualified opinion received November 6, 2008. Target Met. Unqualified assurance asserted over internal controls September 12, 2008.
Manage acquisitions in accordance with federal requirements and ensure process provides for the efficient use of Commission resources	▪ 25% of total procurement dollars awarded to small, women-owned, and minority businesses ▪ 100% of qualified procurements are performance-based	▪ Target Met. 31% of total procurement dollars awarded to small, women-owned and minority businesses. ▪ Target met. 100% of all qualified procurements were performance based awards.
Full implementation of FERC's eGovernment initiatives	Completed by September 30, 2008	Target Met. eFiling 7.0 was completed by September 30, 2008. eFiling will increase the number of documents that can be submitted and provides a secure process for submitting Privileged and CEII materials. Also, ATMS 3.0 successfully developed the infrastructure to capture the tracking of all docketed and non-docketed work. Customer satisfaction with eGov services was over 90%.

FY 2009		
Performance Measure	**Performance Target**	**Results**
Number of ADR requests and referrals addressed by DRS	Increase number over FY 2004	Target met. In FY 2009, DRS addressed 71 new ADR requests and referrals. FY 2009 results exceeded the results of the base year, FY 2004, by 17 requests/ referrals. (In FY 2004 DRS received 54 total requests and referrals.)
Percentage of mediated or facilitated case that achieve partial or complete consensual agreement	75%	Target met. Of 18 cases DRS completed in FY 2009, all achieved consensual agreement through mediation and facilitation, resulting in a 100% success rate.
Favorable DRS customer satisfaction for casework and outreach	80% customer satisfaction rate	Target met. In FY 2009, customers for all casework and outreach services expressed favorable satisfaction with DRS. Of respondents to casework surveys, DRS received a 100% customer satisfaction rate. Of respondents to outreach surveys, DRS received a 91% customer satisfaction rate.
Number of outreach events (e.g., train-ings, workshops, and presentations) to promote the use of dispute resolution skills	Increase number over FY 2004	Target met. In FY 2009, DRS delivered 24 outreach events, 13 more events than FY 2004's 11 outreach events. (In FY 2004, the DRS delivered 13 outreach events.)
Of ADR processes concluded, percent-age that resulted in savings of time and/ or money over traditional processes	75%	Target met. 100% of respondents to casework surveys affirmed that involvement of DRS saved them time and/or money over traditional processes.
Percentage of cases set for hearing that achieve partial or complete consensual agreement	75%	Target Met. 90%
Ensure timely and effective communication to all stakeholders	• Issue 95% of press releases for important agency actions within 1 hour of action being taken • Post 95% of important and time-sensitive agency actions on the Commission's internet website within 1 hour of issuance • Provide an initial and complete response to 70% of inquiries at the time of the receipt of the request • Develop webpages within the assigned timeframe to enhance and support the Commission's initiatives and goals	• Target met. In FY 2009, 42 out of 43or 99% of press releases were issued within 1 hour of action being taken. • Target met. In FY 2009, 4066 out of 4066 or 100% of important agency actions were posted on the Commission's internet website within 1 hour of issuance. • Target met. In FY 2009, the office provided an initial and complete response to 3476 out of 4753 or 73% of public inquiries at the time of receipt. • Target met. In FY 2009, this office developed 11 out of 11 web page requests. All were completed on schedule.

FY 2009		
Performance Measure	**Performance Target**	**Results**
Enhance communication with National and International groups	• Provide responses to 95% of Congressional inquiries and briefing requests by the date requested or by 10 business days from the date of the request • Provide email notification of significant Commission actions to Congress within 1 to 2 business days of the underlying action along with briefing offers where appropriate • Provide timely and effective briefings to members of Congress and State Officials within the timeframe requested and initiate at least three briefings on top priority issues within timeframe appropriate to effect that issue • Provide email notification of outreach efforts (i.e., panel discussions, workshops, conferences or other forums) to State Officials and Governors within 3 business days • Respond to 80% of international delegation meetings requests within 3 business days of rendering a decision	• Target met. In FY 2009, External Affairs responded to 100% (211 out of 211) of congressional inquiries and briefing requests within 10 business days. • Target met. In FY 2009, 165 email notifications to members of Congress were sent out on top priority issues regarding significant Commission actions within 1 to 2 business days of the underlining action • Target met. In FY 2009, 46 briefings for Congress and State Officials were conducted on priority issues of natural gas pipelines, transmission planning and integration of renewables, demand response, and cyber security. • Target met. In FY 2009, email notifications were sent out simultaneously for 142 out of 142 (100%) Commission actions of interest to State regulatory agencies on significant Commission actions within 1 to 2 business days of the underlining action. • Target met. In FY 2009, OEA responded to and coordinated 52 approved visits; 44 or 84.6% received responses within 3 business days.
Maintain an effective recruiting pro-gram	• Increase retention rate of new hires over FY 2008 • Hire 20% of interns into permanent positions • Implement a formal mid-career recruiting program by December 31, 2008	Target Met - The annualized retention rate of new hires increased from 91.7% (144/157) for FY 08 to 92.1% (187/203) for FY 09. Target Met - 34% (12 of 35) of interns from summer 2008 program were converted in FY 09. Target Not Met. The formal four phase mid-level recruitment program strategy was launched on 6/1/09. No negative impact by the delay in meeting original date.
Implement employee development programs	• Launch competency based training program for mainstream occupations • Develop competency based training for all occupations	Target Met - Competency-based training needs assessment was conducted during April 2009. Target Not Met. The implementation of competency based training for all occupations was deferred, pending the selection and acquisition of a learning management system which will not be available until FY 2011 due to resource constraints. Accordingly, FERC will reevaluate its employee develop program measures for FY 2010.

FY 2009		
Performance Measure	**Performance Target**	**Results**
Maintain an effective performance management system	• All employees and managers receive training annually • Provide feedback to managers to ensure ratings reflect meaningful distinctions between performance • High achievers are rewarded appropriately	Target Met - all employees and managers received Performance Management Training Target Met. Managers received feedback which explained meaningful distinctions between performance. Target Met – The Commission's analysis identified that on average, FERC rewarded: highly successful employees 31% higher monetary awards than fully successful employees; outstanding employees 49% higher monetary awards than highly successful employees; and outstanding employees with 96% higher monetary awards than fully successful employees.
Ensure appropriate representation of women and minorities at all levels within the organization	Increase over FY 2008 baseline	• Target Not Met - FY09 percentage for women was 44.6%. Decreased percentage from FY08 by less than 1% (FY08 – 45.5%). Modify target for FY 2010 and future years to be "Equal to or greater than Total Federal Workforce percentage." • Target Not Met - FY09 percentage for minorities was 32.3%. Decreased percentage from FY08 by less than 1% (FY08 – 32.9%). Modify target for FY 2010 and future years to be "Equal to or greater than Total Federal Workforce percentage."
Maintain reliable financial management systems which generate accurate and timely financial information to support operating, budget, and policy decisions	• Unqualified audit opinion on financial statements • Unqualified assurance assertion on internal controls	• Target Met – Received unqualified audit opinion on FY 09 principal statements 11/6/09. • Target Met – Issued unqualified assurance assertion on controls in place as of 6/30/09.
Manage acquisitions in accordance with federal requirements and ensure process provides for the efficient use of Commission resources	• 25% of total procurement dollars awarded to small, women-owned, and minority businesses • 100% of qualified procurements are performanced-based	• Target Met - 33% of total available procurement dollars were awarded to small businesses during FY09. • Target Met - 100% of qualified FY09 procurements were performance-based acquisitions.

APPENDIX B

Workload Tables[17]

This appendix shows the portion of the Commission's work that can be objectively counted by workload category in energy markets and energy projects.

	FY 2008 Actuals	FY 2009 Actuals			FY 2010 Estimate			FY 2011 Projection		
Pipeline Certificates	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Construction Activity	76	130	130	76	130	130	76	130	130	76
Prior Notice & Abandonments	48	100	100	48	100	100	48	100	100	48
Compliance Filings & Reports	30	284	254	60	284	254	90	284	254	120
Environmental Analysis	57	155	152	60	155	152	63	155	152	66
Compliance & Safety Inspections	0	1,147	1,147	0	1,147	1,147	0	1147	1,147	0
LNG Inspections	0	16	16	0	16	16	0	16	16	0
Rehearings	16	48	47	17	30	30	17	20	20	17
Complaints	1	1	1	1	2	2	1	2	2	1
Declaratory Orders	2	7	9	0	5	5	0	5	5	0
Remands	11	1	11	1	8	8	1	2	2	1
Dispute Resolution Services	1	4	5	0	6	4	2	8	5	5
Hydropower Licensing	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Original Licenses	23	10	10	23	10	10	23	10	10	23
Relicenses	50	9	15	44	9	15	38	9	15	32
5 MW Exemptions	4	3	3	4	3	3	4	3	3	4
Rehearings	0	25	23	2	3	3	2	3	3	2
Declaratory Orders	0	5	4	1	1	1	1	1	1	1
Remands	1	3	3	1	1	1	1	1	1	1
Cases Set for Hearing	0	1	0	1	2	1	2	1	1	2
Dispute Resolution Services	0	2	0	2	2	2	2	4	3	3

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[17] Key: P = Pending at year-end; R = Received during year; C = Completed during year.

	FY 2008 Actuals	FY 2009 Actuals			FY 2010 Estimate			FY 2011 Projection		
Project Compliance and Administration	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Amendments	450	2,600	2,650	400	2,600	2,650	350	2600	2,650	300
Jurisdiction	3	12	10	5	12	10	7	12	10	9
Federal Lands	0	90	90	0	90	90	0	90	90	0
Headwater Benefits	6	150	145	11	150	145	16	150	145	21
Compliance	100	400	350	150	400	350	200	400	350	250
Surrenders, Transfers	22	35	40	17	35	40	12	35	40	7
Conduit Exemptions	0	4	4	0	4	4	0	4	4	0
Environmental Inspections And Assistance	0	125	125	0	125	125	0	125	125	0
Preliminary Permits	29	205	200	34	205	200	39	205	200	44
Rehearings	10	27	0	37	50	50	37	50	50	37
Complaints	0	2	2	0	1	1	0	1	1	0
Dispute Resolution Services	0	0	0	0	2	2	0	2	2	0

Dam Safety and Inspections	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Operational Inspections	1,166	1,400	1,400	1,166	1,400	1,400	1,166	1,400	1,400	1,166
Prelicense Inspections	2	5	5	2	5	5	2	5	5	2
Construction Inspections	107	150	150	107	150	150	107	150	150	107
Exemption Inspections	175	280	280	175	280	280	175	280	280	175
Special Inspections	45	125	125	45	125	125	45	125	125	45
Engineering Evaluation & Studies	989	600	600	989	600	600	989	600	600	989
Part 12 Reviews	118	225	225	118	225	225	118	225	225	118
Dam Safety Reviews	7	36	36	7	36	36	7	36	36	7
Emergency Action Plan Tests – Functions	41	55	55	41	55	55	41	55	55	41
Emergency Action Plan Tests – Table Top	5	55	55	5	55	55	5	55	55	5

	FY 2008 Actuals	FY 2009 Actuals			FY 2010 Estimate			FY 2011 Projection		
Rates and Tariffs	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Gas Certificates & Rate Evaluations	98	81	81	98	140	145	93	140	145	88
Market-Based Rates	1,179	1,912	2,396	695	2,020	2,100	615	2020	2,100	535
Dispute Resolution Services (Electric)	9	17	18	8	22	18	12	22	21	13
Rehearings (Electric)	308	386	300	394	350	350	394	350	350	394
Complaints (Electric)	12	62	48	26	50	55	21	50	55	16
Declaratory Orders (Electric)	15	21	23	13	25	30	8	25	30	3
Remands (Electric)	15	14	18	11	5	5	11	5	5	11
Negotiated Rates	55	391	410	36	400	400	36	400	400	36
Cost-Based Rates	1163	3,774	3,935	1002	4,120	3,935	1187	3320	3,770	737
Dispute Resolution Services (Gas)	1	1	2	0	8	5	3	10	9	4
Rehearings (Gas)	28	47	32	43	45	70	18	40	50	8
Complaints (Gas)	3	3	2	4	3	3	4	2	3	3
Declaratory Orders (Gas)	0	2	2	0	1	1	0	1	1	0
Remands (Gas)	2	1	0	3	2	2	3	1	2	2
RTO, ISO, & Transco Filings	41	456	488	9	450	450	9	450	450	9
Dispute Resolution Services (Oil)	1	2	1	2	3	2	3	2	3	2
Rehearings (Oil)	61	50	43	68	50	97	21	40	50	11
Complaints (Oil)	4	23	8	19	20	25	14	15	20	9
Declaratory Orders (Oil)	2	0	1	1	2	2	1	2	3	0
Remands (Oil)	0	0	0	0	2	2	0	1	1	0

Corporate Applications	**P**	**R**	**C**	**P**	**R**	**C**	**P**	**R**	**C**	**P**
Interlocking Positions	162	788	853	97	745	760	82	745	760	67
Mergers	22	119	130	11	140	140	11	140	140	11
Cogeneration/Small Power Producers (QF)	21	1,005	1000	26	1,220	1,225	21	1220	1,220	21
Dispute Resolution Services	0	0	0	0	0	0	0	1	1	0

	FY 2008 Actuals	FY 2009 Actuals			FY 2010 Estimate			FY 2011 Projection		
Electric Grid Reliability	P	R	C	P	R	C	P	R	C	P
Reliability Standards	19	33	32	20	12	27	5	10	11	4
Interpretations/Erratas of Reliability Standards	23	2,162	165	2,020	102	2,075	47	125	101	71
Reliability Filings by ERO/RE	49	19	18	50	38	31	57	35	32	60
Standards Compliance Audits	1	16	15	2	30	30	2	18	18	2
Notices of Penalty-Violations	0	262	245	17	1,869	1,811	75	1600	1,560	115

Legal Matters	P	R	C	P	R	C	P	R	C	P
Cases Set for Hearing	76	66	79	63	75	75	63	75	75	63
Settlement Judge Proceedings	34	48	58	24	60	60	24	60	60	24
Appellate Review	155	125	130	150	125	130	145	125	130	140
Audits	28	20	33	15	134	139	10	50	50	10
Accounting	4	208	206	6	220	211	15	230	215	30

APPENDIX C

Guiding Principles

Five principles guide the Commission as it exercises its jurisdiction under its governing statutes. Whether the Commission is adjudicating a rate filing, ruling on an application, or developing a new policy, it strives to meet these principles, ensuring that each of its actions is consistent with the public interest.

Organizational Excellence.

Above all, the Commission strives to use its resources efficiently and effectively to achieve its strategic priorities. This includes its human resources. The Commission performs targeted recruiting and hiring and has developed a markets-oriented training curriculum for entry-level as well as experienced staff. The Commission also makes efficient use of information technology to receive filings, produce reports and orders, and maintain data repositories. The Commission tracks the activities of its staff to ensure that they are directed at meeting the Commission's strategic goals and objectives.

Due Process and Transparency.

Paramount in all of its proceedings is the Commission's determination to be open and fair to all participants. Filings are publicly accessible through the Commission's website, and filings to change rates, terms and conditions of service are announced by way of public notice published in the Federal Register. Material issues of fact are resolved through hearings governed by due process rules; the Commission also encourages the use of ADR procedures, which provide for more informal public participation in resolution of a proceeding. The Commission often holds public conferences at which it receives input from members of the public on controversial issues of national importance. Finally, many of the Commission's major decisions are discussed and announced at meetings that are open to the public and also are webcast at no charge on its website.

Regulatory Certainty.

In each of the thousands of orders, opinions and reports issued by the Commission each year, the Commission strives to provide regulatory certainty through consistent approaches and actions. Without an assurance that the Commission's policies will be internally consistent and applied consistently, investors may be unwilling to bear the risks associated with investing in critical energy infrastructure. Where it is appropriate, the Commission provides generic direction to industry participants in the form of guidance orders, policy statements or rulemakings, to avoid the uncertainty present in case-by-case adjudications. The Commission also has adopted market rules designed to help prevent the exercise of market power and market abuse, to provide a more stable marketplace, and create an environment that will attract needed investment capital.

Stakeholder Involvement.

The Commission conducts regular outreach to ensure that interested persons have an appropriate opportunity to contribute to the performance of the Commission's responsibilities. The Commission also organizes technical conferences and workshops designed to explain and explore issues related to the development and implementation of its policies. When processing hydropower and gas facility applications, the Commission conducts an extensive collaborative pre-filing process, during which it receives input from a multitude of stakeholders including citizen groups, environmental organizations, tribal interests, and local, state and federal resource agencies. The Commission has adopted a similar pre-filing process for resolution of transmission siting applications.

Timeliness.

The Commission's goal is to reach an appropriate resolution of each proceeding in an expeditious manner. Toward that end, the Commission has steadily decreased the time it takes to act on proposed projects, such as LNG import terminals, gas storage facilities, and interstate natural gas pipelines. It has done so without compromising its environmental protection and public participation responsibilities. The Commission also sets and tracks compliance with goals for timely resolution of filings for cost recovery, new services or changes to existing services, as well decisions on initial decisions, complaints, and FPA section 203 applications.

APPENDIX D

Acronyms and Abbreviations

Acronyms and Abbreviations	
ADR	alternative dispute resolution
CAISO	California Independent System Operator
CIP	Critical Infrastructure Protection
DOE	U.S. Department of Energy
DOT	U.S. Department of Transportation
DRS	dispute resolution service
EAP	Emergency Action Plan
EBB	electronic bulletin board
EISA	Energy Independence and Security Act of 2007
EPAct 2005	Energy Policy Act of 2005
ERO	Electric Reliability Organization
FERC or the Commission	Federal Energy Regulatory Commission
FPA	Federal Power Act
FPC	Federal Power Commission
FTE	Full-time equivalent
FY	fiscal year
ISO	independent system operator
kV	kilovolt
LNG	liquefied natural gas
Midwest ISO	Midwest Independent Transmission Operator, Inc.
MW	megawatt
NAESB	North American Energy Standards Board
NEPA	National Environmental Policy Act
NGA	Natural Gas Act of 1938
NIST	National Institute of Standards and Technology
PJM	PJM Interconnection, LLC
Reclamation	U.S. Department of Interior-Bureau of Reclamation
RIDM	Risk-informed decision making
RTO	regional transmission organization
SPP	Southwest Power Pool, Inc.

U.S. Nuclear Waste Technical Review Board

Fiscal Year (FY) 2011 Congressional Budget Request and Justification

Including Revised Board Performance Goals for FY 2010-2011 and Supplementary Information on the Board

February 1, 2010

con269vF

Introduction

In 2009, Secretary of Energy Steven Chu said: *I believe that nuclear waste policy should be guided by several criteria. For example, it certainly should reflect sound science and meet the highest feasible technical standards. It must also be safe and secure, and ensure the protection of public health and the environment. Finally, it should reinforce public trust and confidence, and search for workable solutions that take economic and other factors into consideration.*[1]

The U.S. Nuclear Waste Technical Review Board's independent peer review directly supports the technical validity of work undertaken by the Secretary of Energy to manage and provide for the ultimate disposition of spent nuclear fuel and high-level radioactive waste (HLW). ***To fulfill its statutory mandate to review the technical and scientific validity of activities undertaken by the Secretary of Energy related to nuclear waste management and to provide independent technical information and advice to Congress and the Secretary, the Board requests $2,490,000 for fiscal year (FY) 2011.***

The Board's Mission

The Board was established as an independent agency in the executive branch in the 1987 amendments to the Nuclear Waste Policy Act. As set forth in the legislative history, the purpose of the Board is to provide independent expert advice to Congress and the Secretary of Energy on technical issues and to review the U.S. Department of Energy's (DOE) implementation of the nuclear waste program. Several elements of the Board's congressional mandate combine to make the Board unique among federal agencies: (1) the Board is independent; (2) the Board advises both Congress and the Secretary of Energy on technical issues; and (3) the Board performs an ongoing and integrated technical peer review of all DOE activities related to managing spent nuclear fuel and high-level radioactive waste, including waste acceptance, transportation, packaging and handling, facility operation and design, and waste storage and disposal.

The Board's Continuing Role

For the last 20 years, DOE has focused on developing a permanent geologic repository at Yucca Mountain in Nevada. During that time, the Board has reported on the technical validity of DOE's efforts to Congress and the Secretary of Energy in twice yearly reports, in testimony, and in correspondence. During 2009, the Administration indicated its intention to terminate funding for the Yucca Mountain repository program and to appoint a Blue Ribbon Commission to consider alternatives for nuclear waste management. As Secretary Steven Chu has observed, even as new options for managing nuclear waste are evaluated, DOE continues to have responsibility under existing law for the long-term management and disposition of DOE-owned spent nuclear fuel and HLW and for the disposition of spent nuclear fuel from commercial reactors. Similarly, the Board's statutory responsibility for conducting ongoing technical peer review of DOE's waste management activities and for advising Congress and the Secretary on related issues is unchanged.

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[1] Answer to a question from Senator James DeMint of South Carolina following Dr. Chu's January 13, 2009, confirmation hearing before the Senate Committee on Energy and Natural Resources.

Refocusing the Board's Priority Goals

In accordance with its continuing peer review responsibilities, the Board has refocused its priority goals to reflect anticipated and ongoing DOE activities related to nuclear waste management and to provide technical findings and information that also can be used by Congress, the Secretary of Energy, and a Blue Ribbon Commission in evaluating alternatives for managing nuclear waste. Issues on which the Board will focus include the technical implications of very long-term dry storage of commercial spent nuclear fuel, the characteristics and inventories of DOE-owned spent nuclear fuel and HLW, and the characteristics and quantities of waste associated with alternatives for managing spent nuclear fuel that include reprocessing and recycling.

Based on the activities described above and on others planned for the future, the Board will create information products that facilitate communication of the results of its review of DOE activities to inform, from a technical perspective, the discussion of waste management alternatives. In addition, the Board will update its recent report to Congress and the Secretary that is a survey of the nuclear waste management approaches used by 13 countries, including the United States.

Following is a list of the Board's priority goals for FY 2010-2011 and a number of associated tasks.

Board Performance Goals for FY 2010-2011

At its June 2009 public meeting in Las Vegas, Nevada, the Board articulated the following three priority performance goals, which already have begun to be implemented. The tasks under the goals have been developed to help advance and support the Board's technical review of DOE activities and focus the Board's work in FY 2010 and FY 2011.

Goal 1. The Board will compile objective technical information required to perform its technical peer review of DOE activities. That information and the results of the Board's technical reviews will be useful to Congress, the Secretary of Energy, and a Blue Ribbon Commission in evaluating waste management alternatives. The Board will examine the technical implications of potential waste-management alternatives from the perspective of an integrated waste management system.

Goal 1 Tasks

A. Systems Analysis. The Board recently began developing and compiling technical information it will need to evaluate future DOE activities related to managing spent nuclear fuel and HLW. This information will provide the basis for Board reports to Congress, the Secretary of Energy, and a Blue Ribbon Commission on the technical implications of waste management alternatives and the implications for waste management of potential fuel-cycle initiatives.

B. "Stranded" DOE Spent Nuclear Fuel and High-Level Radioactive Waste. Termination of the Yucca Mountain repository program will leave thousands of tons of government-owned spent nuclear fuel and high-level radioactive waste with no place to go—at least temporarily. These wastes are stored primarily at Hanford in Washington, at

Idaho National Laboratory in Idaho, and at the Savannah River Site in South Carolina. Much of the waste is subject to legal agreements between the federal government and the respective states. The agreements include timely transportation off the site to a final disposal location. After visiting the sites, the Board expects to issue a report that summarizes the amounts and characteristics of the waste, the alternatives under consideration for their management and disposition, and technical issues that need to be resolved.

C. Very-Long-Term Dry Storage. Whatever alternative is selected for final disposition of nuclear waste, commercial spent nuclear fuel will most likely remain in storage much longer than previously anticipated. To support its evaluation of DOE technical activities related to long-term dry storage, the Board convened a panel of experts in late September 2009 to identify the data needs for very-long-term dry storage of commercial spent nuclear fuel. On the basis of those discussions and its own study of the technical literature and government reports, the Board is preparing a "white paper" on technical needs for very-long-term dry storage that will serve as a framework for evaluating DOE's activities and advising Congress, the Secretary, and a Blue Ribbon Commission on these issues.

Goal 2. The Board will compile information gained from its extensive experience with the U.S. nuclear waste program and from observing waste management efforts in other countries.

Goal 2 Tasks

A. Survey of National Programs. Over the years, the Board has visited several countries whose long-term waste management programs are relatively mature. In November 2009, the Board issued a report entitled, *Survey of National Programs for Managing High-Level Radioactive Waste and Spent Nuclear Fuel.* The report can be accessed on the Board's website at www.nwtrb.gov. In the document, the Board provides up-to-date factual information to Congress and the Secretary of Energy about the wide range of institutional arrangements and technical approaches that have been adopted in the United States and 12 other countries. The Board plans to update the report in FY 2011.

B. Study of "Lessons Learned." On the basis of its experience and understanding of waste management programs in other countries, its in-depth technical reviews of the Yucca Mountain Project, and the *Survey of National Programs for Managing High-Level Radioactive Waste and Spent Nuclear Fuel*, the Board expects to prepare an analysis of lessons learned related to these programs. This effort will explore the technical and scientific aspects of nuclear waste management and disposal, including the generic and specific issues associated with the various media that have been considered worldwide for developing deep geologic disposal facilities for spent nuclear fuel and high-level radioactive waste. The Board's technical expertise and its 20-year history of performing objective technical analysis will enable it to make a unique contribution to the national discussion of alternative strategies for waste management and to provide technical advice to DOE on implementing whatever strategies are subsequently adopted.

C. Risk-Based Performance Assessment. As part of its examination of lessons that can be applied to any potential future geologic repository, the Board is preparing a paper that describes a risk-based method of assessing repository performance based on the source term (the amount and type of radioactive material that could be released from waste packages).

Goal 3. The Board will continue to monitor and evaluate DOE activities related to nuclear waste management and to report on the technical validity of the work to Congress and the Secretary.

Goal 3 Tasks

A. Office of Nuclear Energy. An advanced fuel-cycle research and development program, which explores alternative fuel cycles and associated waste management strategies, is underway at DOE's Office of Nuclear Energy. The Board will evaluate the technical activities related to nuclear waste management that are being conducted under the auspices of this program. In particular, the Board will review the consistency of the results of development work being performed in laboratories and pilot plants with other independent analyses and theoretical projections.

Most of the Board's September 2009 public meeting focused on presentations by fuel-cycle companies on alternative recycling concepts that they had developed for DOE's Office of Nuclear Energy as part of the former Global Nuclear Energy Partnership program. On the basis of information presented at the meeting, the Board is identifying technical issues that need to be addressed concerning alternative waste management options being considered by DOE. (See Goal 1, Task A)

B. Corrosion. The Board has long been interested in deliquescence-induced localized corrosion, which can occur when salts on waste package surfaces absorb moisture from the air forming concentrated brines. The Board also believes that rates of general corrosion of waste package materials are important. These issues are important in the context of both geologic disposal and long-term dry storage of spent nuclear fuel and high-level radioactive waste. Board members and staff visited Sandia National Laboratory in 2009 to observe and discuss work that has been undertaken on those issues. The Board will report on its findings and recommendations related to corrosion in an upcoming report to Congress and the Secretary. These issues also will be part of the Board's examination of lessons that can be learned about the engineered system from the experience of the U.S. program.

C. Office of Environmental Management. In contrast to the HLW at Hanford and Savannah River, which is mostly in liquid or sludge form in tanks, most of the high-level waste at Idaho National Laboratory is in a solid, granular form in bins. There is a question about how much additional treatment this waste needs, if any, prior to being stored for prolonged periods and in preparation for eventual disposal in a geologic repository. Options include: (1) no additional treatment, (2) grouting in cement, (3) hot isostatic pressing, and (4) vitrification. In the coming year, the Board intends to examine the technical basis for selecting the best option as well as the appropriate timing for making such a selection.

Most DOE-owned spent nuclear fuel is in dry storage or soon will be moved to dry storage. All vitrified high-level radioactive waste is in dry storage. The Board plans to evaluate the design bases for dry-storage facilities, beginning with the facilities at Savannah River. The objective of the evaluation will be to determine whether the design bases are suitable for supporting longer facility lifetimes and what additional data or analyses are needed.

Strategy for Accomplishing Board Performance Goals

The Board accomplishes its goals by organizing working groups of Board members and staff that reflect the technical disciplines involved in achieving the performance goals. Board members direct the activities of staff members, who are responsible for the accomplishment of assigned goals. As authorized by statute, expert consultants may be retained and used to supplement the work of the Board and staff when necessary.

The Board's program for FY 2010-2011 includes:

- Holding public meetings in Idaho Falls, Idaho, and visiting DOE facilities at Savannah River and Idaho Falls. Additional meetings and site visits may be scheduled as needed.
- Applying the Board's scientific and engineering expertise to the identification of technical challenges that have been encountered both in the U.S. waste management program and in programs overseas. The Board will analyze how those challenges were addressed, and why actions to address the challenges were successful or deficient.
- Conducting fact-finding sessions involving small groups of Board members and/or staff who will focus in depth on specific technical topics, including corrosion, DOE spent nuclear fuel and high-level radioactive waste inventories and characteristics, alternative waste management technologies, waste forms, and the behavior of waste forms in various geologic media (source term).
- Reviewing and analyzing documents on work under way by DOE related to nuclear waste management, evaluating the implications of alternative waste management scenarios and activities, and conducting evaluations of analogous work in other countries. The results of such reviews and analyses will inform the Board's findings and recommendations, which will be presented in reports and correspondence to Congress and the Secretary of Energy.

Interactions with Other Agencies and Interested Parties

The Board sponsors meetings and technical exchanges with program participants and interested parties, including representatives of DOE and its contractors, the U.S. Nuclear Regulatory Commission, the U.S. Environmental Protection Agency, the U.S. Geological Survey, the U.S. Department of Transportation, affected states, regional groups, affected units of local governments, Native American tribes, nuclear utilities, environmental groups, state utility regulators, and members of the public. Board members and staff attend relevant technical conferences, meetings, symposia, and workshops; participate in field trips; and occasionally visit foreign countries to gain insights from observing their programs and learning about their experience in repository development.

In developing its performance goals, the Board and Board staff met with key members of Congress; the Administration, including DOE and the Office of Management and Budget; the interested public; stakeholders; and representatives of local, regional, and state governments. The Board will use the evaluation of its performance in FY 2010-2011 to set priorities in its FY 2012 budget. The Board's organizational structure may be recalibrated and funding will be reallocated if necessary to ensure accomplishment of the goals.

To enhance access to the Board's deliberations and recommendations and make them more transparent, the Board holds open public meetings, and all Board reports, correspondence, testimony, and meeting transcripts are available on the Board's Web site at www.nwtrb.gov.

Nuclear Waste Technical Review Board

Salaries and Expenses

(Including Transfer of Funds)

For necessary expenses of the Nuclear Waste Technical Review Board, as authorized by public law 100-203, section 5051, $2,490,000 to be derived from the Nuclear Waste fund and to remain available until expended.

(Energy and Water Development and Related Agencies Appropriations Act, 2010)

Budget Details

To fulfill its statutory mandate to review the technical and scientific validity of activities undertaken by the Secretary of Energy related to nuclear waste management and to provide independent technical information and advice to Congress and the Secretary, the Board requests $2,490,000 for fiscal year (FY) 2011. A detailed explanation of the Board's request by Object Class follows.

Object Class 11.1, Full-Time Permanent Staff: $1,194,000

The estimate in this object class includes funding for Executive Schedule senior professional staff and General Schedule support staff. The senior professional staff members support the Board members' technical and scientific evaluation of DOE activities. The General Schedule staff members are engaged in administrative activities, including budget and financial management, dissemination of Board publications, information technology, and meeting logistics. The amount requested for full-time permanent staff is based on the requirement to fund senior professional staff and administrative staff positions. The estimate assumes a 2.1 per cent increase in January 2011 for both Executive Schedule and General Schedule employees.

Object Class 11.3, Base Pay - Intermittent: $285,000

This estimate includes compensation costs for Board members, all of whom are Special Government Employees. In accordance with the Board's enabling statute, each Board member is compensated at the rate of pay of Executive Schedule Level III for every day that the member is engaged in work for the Board. The estimate assumes a 2.1 percent increase in Executive Schedule compensation for employees in this category for FY 2011 (effective January 2011).

Object Class 11.5, Other Personnel Compensation: $12,000

The estimated amount is for funding of performance awards under the Performance Management System.

Object Class 12.0, Civilian Personnel Benefits: $301,000

The estimate represents the government's contribution for employee benefits at the average rate of 25.0 percent for staff and 7.65 percent for Board members.

Object Class 21.1, Travel and Transportation: $110,000

The estimate in this object class includes travel costs for Board members, staff, and consultants who will travel to Board meetings, professional meetings, conferences, orientation activities, analogue sites, national laboratories, and other events and venues related to accomplishing the Board's mission. The estimate assumes that each of the 11 Board members will attend 1 Board meeting and an average of 4 miscellaneous meetings for approximately 3 days each. It also assumes that the professional staff members will travel an average of 3 times for similar activities for approximately 3 days per trip.

Object Class 23.1, Rental Payments to the General Services Administration (GSA): $205,000

The estimate represents the amount the Board will pay to the General Services Administration for 5,216 square feet of office space.

Object Class 23.3, Communication, Utilities, Miscellaneous: $27,000

The estimate represents costs for telephone service, postage costs, local courier services, video teleconferencing, long-distance telephone service, and internet and mailing services related to management and use of the Board's mailing list.

Object Class 24.0, Printing and Reproduction: $13,000

The estimate is for funding publication of statutorily mandated reports sent to Congress and the Secretary of Energy at least two times per year, publication of meeting notices in the *Federal Register*, and production of press releases announcing meetings and other materials that are necessary to accomplish the Board's mission and inform the public. An effort will be made to make use of electronic publishing to the extent feasible. Members of the public who live in rural areas and who do not have Web access receive the Board's material on request.

Object Class 25.1 Consultants: $16,000

The estimate includes funding for consultants to support and supplement Board and staff analyses of specific technical and scientific issues as mandated by Congress.

Object Class 25.2, Contractual Services - Other: $190,000

The estimate for this object class includes court-reporting services for Board meetings; meeting-room rental and related services; and maintenance agreements for equipment rental, professional development, and services from commercial sources. In addition, the Board will contract with part-time technical consultants to supplement and support in-house operations including, in-systems management, Web site management, and report production and editing. The Board also is committed to supporting the Administration's initiatives such as financial auditing in accordance with the Accountability of Tax Dollars Act. The Board supports the goals set forth in Executive Order 13514, "Federal Leadership in Environmental, Energy, and Economic Performance," and is committed to reducing its greenhouse gas emissions where practicable. The Board has requested guidance from OMB on future funding of activities related to this initiative.

Object Class 25.3, Services from Other Government Agencies: $93,000

This estimate includes funding for GSA administrative support services (payroll, accounting, personnel, etc.), legal advice from GSA, security clearances through the Office of Personnel Management, and other miscellaneous interagency agreements.

Object Class 26.0, Supplies and Materials: $20,000

This estimate includes anticipated expenses for office supplies, subscriptions, library materials, and off-the-shelf technical reports and studies.

Object Class 31.0, Equipment: $25,000

This estimate relates to miscellaneous equipment costs, including computer hardware, and computer-network software maintenance. In addition, funds are included to support the Federal Information Security Act, which requires federal agencies to periodically test and evaluate the effectiveness of their information security policies, procedures, and practices. The category also includes continued upgrades to information technology security, continuity of operations (COOP), support of E-Gov telecommuting efforts, and technical support of the management of electronic records and e-mails.

Nuclear Waste Technical Review Board
Projected Fiscal Year 2011
Expenditures
Object Classifications
(In Thousands of Dollars)

Classification code 48-0500-0-271		**Act FY 2009**	**Est FY 2010**	**Req FY 2011**
	Expenditures			
11.1	Full-time Permanent Staff	$1,512	$1,879	$1,194
11.3	Base pay - Intermittent	406	315	285
11.5	Other Personnel Compensation	35	57	12
Total	Total Personnel Compensation	$1,953	$2,251	$1,491
12.0	Civilian Personnel Benefits	421	508	301
21.1	Travel and Transportation	376	272	110
23.1	Rental Payments to GSA	177	206	205
23.3	Communication, Utilities, Misc.	34	31	27
24.0	Printing and Reproduction	25	24	13
25.1	Consultants	78	86	16
25.2	Contractual Services - Other	329	311	190
25.3	Services from Other Govt. Agencies	112	98	93
26.0	Supplies and Materials	37	64	20
31.0	Equipment	45	39	25
	Total Obligations	***$3,587***	***$3,891***	***$2,490***

(Numbers may not add due to rounding.)

Identification Code 48-0500-0-1-271	2009 Act	2010 Est	2011 Req
Total Number of Full-Time Permanent Positions	15	17	10
Total Compensable Work-Years: Full-Time Equivalents	15	17	10

Addendum

Supplementary Information on The U.S. Nuclear Waste Technical Review Board

The U.S. Nuclear Waste Technical Review Board was established on December 22, 1987, in the Nuclear Waste Policy Amendments Act (NWPAA) as an independent agency in the executive branch of the federal government. The Board is charged with evaluating the technical and scientific validity of activities undertaken by the Secretary of Energy related to the U.S. Department of Energy's obligation under law to manage and dispose of spent nuclear fuel and high-level radioactive waste.

Board Members

The Board is apolitical and nonpartisan. The NWPAA authorized a Board of 11 members who serve on a part-time basis; are eminent in a field of science or engineering, including environmental sciences; and are selected solely on the basis of distinguished professional service. The law stipulates that the Board shall represent a broad range of scientific and engineering disciplines relevant to nuclear waste management. Board members are appointed by the President from a list of candidates submitted by the National Academy of Sciences. Board members whose terms have expired continue serving until they are reappointed or their replacements assume office. The terms of five current members will expire in April 2010.

The names and affiliations of the current 11 Board members are listed below.

B. John Garrick, Ph.D., P.E., is Chairman of the Board. A founder of PLG, Inc., he retired from the firm in 1997 and is a private consultant. His areas of expertise include nuclear science and engineering, specializing in probabilistic risk assessment and the application of the risk sciences to natural and engineered systems.

Mark D. Abkowitz, Ph.D., is professor of civil and environmental engineering at Vanderbilt University and director of the Vanderbilt Center for Environmental Management Studies. His areas of expertise include the strategic and operational deployment of intelligent transportation systems, enterprise risk management methods and practices, and assessing the impacts of energy choices and climate change.

William Howard Arnold, Ph.D., P.E., is a private consultant with long experience as a top executive in the nuclear industry. He retired from a 40-year career, first with Westinghouse and then with Louisiana Energy Services, in 1996. He holds a doctorate in physics and has special expertise in nuclear project management, organization, and operations.

Thure E. Cerling, Ph.D., is Distinguished Professor of Geology and Geophysics and Distinguished Professor of Biology at the University of Utah. His areas of expertise include field geology, isotope geology, and geochemical processes occurring near the Earth's surface.

David J. Duquette, Ph.D., is John Tod Horton '52 Professor of Engineering in the Department of Materials Science and Engineering at Rensselaer Polytechnic Institute. His areas of expertise include the physical, chemical, and mechanical properties of metals and alloys.

George M. Hornberger, Ph.D. is a Distinguished University Professor at Vanderbilt University where he is director of the Vanderbilt Institute for Energy and Environment. He also is the Craig E. Philip Professor of Engineering and a Professor of Earth and Environmental Sciences there. His areas of expertise include catchment hydrology and hydrochemistry and transport of solutes and colloids in geologic media.

Andrew C. Kadak, Ph.D., is Professor of the Practice in the Nuclear Science and Engineering Department at the Massachusetts Institute of Technology. His areas of expertise include fundamental nuclear engineering, reactor operations, and the development of advanced reactors.

Ronald M. Latanision, Ph.D., is emeritus professor of materials science and engineering and of nuclear engineering at the Massachusetts Institute of Technology and a Corporate Vice President of the engineering consulting firm, Exponent. His areas of expertise include materials processing and corrosion of metals and other materials in aqueous environments.

Ali Mosleh, Ph.D., is Nicole J. Kim Professor of Engineering, director of the Reliability Engineering Program, and director of the Center for Risk and Reliability at the University of Maryland. His areas of expertise include methods for probabilistic risk analysis and reliability of complex systems.

William M. Murphy, Ph.D., is professor of Geological and Environmental Sciences at California State University, Chico. His research focuses on geochemistry, including the interactions of nuclear wastes and geologic media. He also is a technical administrative judge on the Atomic Safety and Licensing Board Panel of the U.S. Nuclear Regulatory Commission.

Henry Petroski, Ph.D., P.E., is Aleksandar S. Vesic Professor of Civil Engineering and professor of history at Duke University. His areas of expertise include the interrelationship between success and failure in design, the nature of invention, and the history of technology.

Staff

The NWPAA limits the Board's professional staff to 10 positions and to administrative staff as determined by the Chairman.

Board Reporting Requirements

As required by the NWPAA, the Board reports its findings and recommendations to Congress and the Secretary of Energy at least two times each year. Board meetings are open to the public and are announced in the *Federal Register* four to six weeks before each meeting. Time is set aside for public comment at each meeting. Transcripts of Board meetings and all Board reports, correspondence, and congressional testimony are available from the Board's Web site, www.nwtrb.gov.

The Board offices are in Arlington, Virginia.

FY 2011
BUDGET REQUEST
TO THE CONGRESS

Defense Nuclear Facilities Safety Board

February 1, 2010

Defense Nuclear Facilities Safety Board
FY 2011 Congressional Budget Request

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1. INTRODUCTION

Defense Nuclear Facilities Safety Board FY 2011 Congressional Budget Request

APPROPRIATION & EXPENSE SUMMARY

(Tabular dollars in thousands)

OPERATING EXPENSES

	ACTUAL FOR FY 2009	FINANCIAL PLAN FOR FY 2010	BUDGET REQUEST FOR FY 2011
New Budget Authority	25,000*	26,086 **	28,640
Obligations	24,863	28,203	30,273
Outlays	24,043	27,639	29,668

* P.L. 111-008, "Omnibus Appropriations Act, 2009."

** P.L. 111-085, "Energy & Water Development and Related Agencies Appropriations Act, 2010."

Enabling Statute:

National Defense Authorization Act, Fiscal Year 1989 (Pub. L. 100-456, September 29, 1988), amended the Atomic Energy Act of 1954 (42 U.S.C. 2286 et seq.) by adding new Chapter 21– Defense Nuclear Facilities Safety Board,

As Amended by:

National Defense Authorization Act for Fiscal Year 1991
(Pub. L. 101-510, November 5, 1990),

National Defense Authorization Act for Fiscal Years 1992 and 1993 (Pub. L. 102-190, December 5, 1991),

Energy Policy Act of 1992 (Pub. L. 102-486, October 24, 1992), and National Defense Authorization Act for Fiscal Year 1994 (Pub. L. 103-160, November 30, 1993),

Federal Reports Elimination Act of 1998 (Pub. L. 105-362, November 10, 1998) and National Defense Authorization Act for Fiscal Year 2001 (Pub. L. 106-398, October 30, 2000),

National Defense Authorization Act for Fiscal Year 2003 (Pub. L. 107-314, December 2, 2002).

Defense Nuclear Facilities Safety Board
FY 2011 Congressional Budget Request

PERSONNEL SUMMARY

	FY 2009 ACTUAL	FY 2010 FINANCIAL PLAN	FY 2011 BUDGET REQUEST
Statutory Personnel Ceiling: (FTEs)[1]	150	150	150
FTE Usage[2]	99	110	117.5
Board Members and Permanent Employees at End of Fiscal Year	102	115	120

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[1] National Defense Authorization Act for FY 1992 and FY 1993, Pub. L. 102-190, raised the Board's statutory employee ceiling from 100 to 150 full-time staff to accommodate mandated additional nuclear weapons oversight responsibilities. See 42 U.S.C. § 2286b (b) (1) (A).

[2] Includes five full-time Board Members appointed by the President, by and with the advice and consent of the Senate.

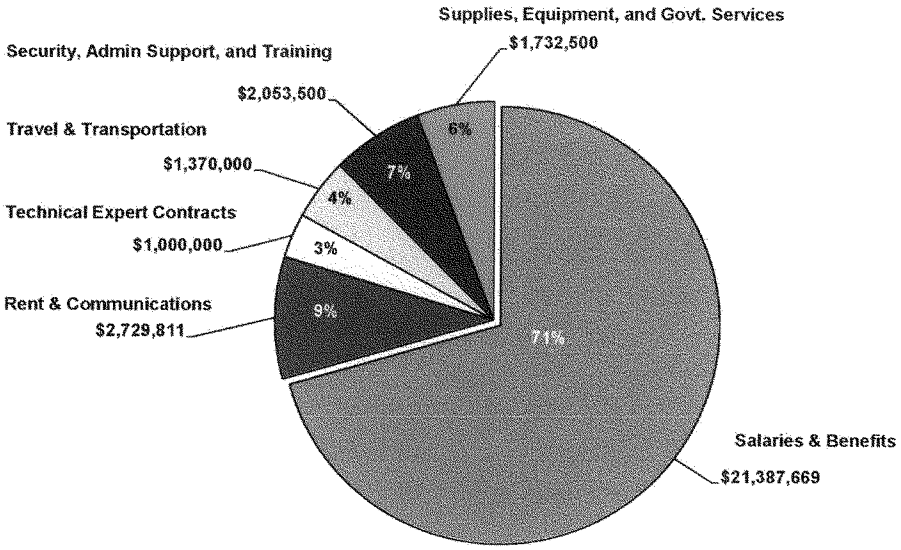
Defense Nuclear Facilities Safety Board
FY 2011 Congressional Budget Request

PROPOSED APPROPRIATION LANGUAGE

SALARIES AND EXPENSES

For necessary expenses of the Defense Nuclear Facilities Safety Board in carrying out activities authorized by the Atomic Energy Act of 1954, as amended by Public Law 100-456, section 1441 [$26,086,000] *$28,640,000* to remain available until expended. [*Energy and Water Development and Related Agencies Appropriations Act, 2010*]

FY 2011 Total Projected Obligations = $30,273,480



2. BUDGET REQUEST SUMMARY

The Board's FY 2011 Budget Request for $28,640,000 and 117.5 FTEs includes funding for statutory increases in civilian salaries and associated employee benefits (i.e., employer contributions to employee health benefit and retirement accounts, matching Thrift Savings Plan contributions, etc.), a program increase of 7.5 FTEs, increases in rent and inflationary increases in other non-personnel accounts, and funding to address a significant decrease in unobligated balances available as a budgetary resource. A brief description of each requirement and associated funding request follows (a full explanation is included on the referenced page number):

	New Budget Authority	FTEs	Page Ref.
Baseline - FY 2010 President's Budget Request	$26,086,000	110	
Funding for the proposed 1.4% civilian pay raise effective in January, 2011 and other salary adjustments. [Note: budget projection based on paying increased salaries and benefits for nine months in FY 2011 for a 1.4% federal pay raise and other salary adjustments.]	$182,000		12
Funding for additional FTEs to meet increasing workload in FY 2011 as a result of Congressional direction for increased oversight, increased activity at DOE defense nuclear facilities (including resulting from funding provided by the stimulus bill), and increased review of DOE Publications. [Note: in response to Congressional direction (e.g., The Duncan Hunter National Defense Authorization Act of 2009) to improve the integration of safety early in the design process, the Board's level of oversight and interaction with DOE in the area of design and construction on over 20 new defense nuclear facilities and its oversight of all existing DOE defense nuclear facilities is increasing.]	$1,500,000	7.5	8-11
Funding to address a decrease in unobligated balances from previous year. [Note: additional new budget authority needed for FY 2011 budgeted obligations to make up for decrease in unobligated balance available as a budgetary resource.]	$718,000		12
Funding for increases in rent and inflation (non-personnel accounts). [Note: based on the GSA FY11 rent estimate and an assumed 1.0% increase due to inflation in non-personnel accounts excluding rent (e.g., other services, supplies and materials]	$379,000		13

	New Budget Authority	FTEs	Page Ref.
Less: Program Reductions and Administrative Savings. [Note: five program reductions and administrative savings actions.]	($225,000)		13
Total Additional Funding Requirements in FY 2011 Budget Request.	**$2,554,000**	7.5	
FY 2011 New Budget Authority.	**$28,640,000**	**117.5***	

*Note: This represents a prorated value as the Board ramps up to 120 FTEs.

3. EXECUTIVE SUMMARY

Congress created the Defense Nuclear Facilities Safety Board (Board) as an independent agency within the Executive Branch (42 U.S.C. § 2286, *et seq.)* to identify the nature and consequences of potential threats to public health and safety at the Department of Energy's (DOE's) defense nuclear facilities, to elevate such issues to the highest levels of authority, and to inform the public. To accomplish this mission in Fiscal Year 2011, the Board is requesting a total of $28,640,000 in new budget authority and 117.5 FTEs. Within this request, the Board seeks additional budget funding of $2,554,000, of which $2,061,000 (offset by $225,000 in program and administrative savings/reductions) will support the salary and benefits needs for the increased staff and help offset the impact of nondiscretionary cost-of-living pay adjustments, an increase in rent, and other inflation-based cost increases for the Board's existing positions. The remaining amount of $718,000 is additional funding needed due to the lower amount of unobligated balances that can be used as a budgetary resource in FY 2011 compared to FY 2010 (see page 12).

In FY 2011, the Board will continue to evolve its health and safety oversight plan to address an unprecedented convergence of increased workload generated by the Department of Energy and the Board's Congressional oversight and appropriations committees.

First, the Board is performing safety oversight on more than 20 DOE design and construction projects with an estimated value of more than $20 billion, including $12.2 billion for the Hanford Waste Treatment Plant (see Exhibit A). The design and construction reviews conducted by the Board on DOE facilities are resource-intensive and time consuming, but these time-sensitive safety reviews are key to preventing safety flaws in design and construction that could render a newly constructed facility unusable and without adequate safety controls to protect the public, the workers, and the environment. The Board's oversight early in the design phase provides a way to avoid hundreds of millions of dollars of increased program costs.

Second, the Board's Congressional oversight and appropriations committees have continued to direct the Board to increase both the scope and pace of its independent health and safety oversight reviews at all DOE defense nuclear facilities, with special attention on new facilities in various design and construction stages, while continuing to ensure that legacy facilities are properly and competently maintained. Having noted repeated problems with DOE's new construction programs and associated cost overruns where significant safety flaws were not identified by DOE or its contractors early in the project development cycle, these committees have called upon the Board to apply its health and safety expertise at higher and higher levels of scrutiny. In perhaps the ultimate recognition of the Board's unique capabilities the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, Public Law 110-417, enacted a limitation on funding for the Chemistry and Metallurgy Research Replacement (CMRR) Project at Los Alamos National Laboratory until the Board and the National Nuclear Security Administration (NNSA) certified that certain design issues reported by the Board had been resolved. Certification involves a level of rigor and expenditure of resources that is an order of magnitude greater than typical review activities.

Third, in early 2009, the DOE Office of Management revised DOE Order 251.1B, *Departmental Directives Program*, which establishes the framework for the entire DOE directives program and is a key safety directive. As a result of this revision, DOE will reissue all documents containing safety requirements during the coming years. This will be another resource-intensive and time-consuming task for the Board as it ensures DOE properly reissues appropriate safety-related DOE directives while preserving the nuclear safety requirements that have been painstakingly developed in the course of more than 60 years of nuclear operating experience.

Fourth, the American Recovery and Reinvestment Act of 2009 provided $6B to DOE for environmental clean-up, of which over $4.8B has been allocated for defense nuclear facilities. DOE plans on using these funds to increase the pace and scope of its cleanup effort, resulting in additional burden on the Board's resources. Continuing to provide adequate health and safety oversight not only meets the Board's mandated responsibilities, but is also consistent with the President's goal of "unprecedented accountability, responsibility, and transparency" of Recovery Act funds.

In its FY 2009 Budget Request, the Board implemented a strategy to increase its staff over several budget cycles to meet its increased oversight responsibilities. By the end of FY 2009, the Board had 102 of the target 105 personnel on board, with one unfilled position on its technical staff, one vacancy in the administrative staff, and one among the Board members. The FY 2010 Budget Request included a request for 110 FTEs to allow for an increase to 115 personnel by the start of FY 2011. The Board has already begun its efforts to achieve that goal and continues to devote considerable resources on recruiting highly-qualified technical personnel in an extremely competitive job market. To continue building on its successful efforts to increase its personnel resources in the face of the continued growth in scope and pace of oversight activities, the Board includes funding for 7.5 additional FTEs in its FY 2011 Budget Request to 120 positions.

The Board notes that the cost of re-engineering and making post-construction modifications to complex DOE defense nuclear facilities, due to the late identification of significant design flaws that could impact public and worker health and safety, would require significantly more resources than the requested budget increase. When incomplete or incorrect safety features are identified late in the design stage (or worse, in the construction stage) project costs are typically increased and schedules are delayed while corrections are made. With DOE's design and construction budget approaching $20 billion, each increase in project cost of one percent (1%) equates to an increase of $200 million. Increases in project cost well in excess of this amount have driven the Congress, as evidenced by Public Law 110-417, to insist on identification of safety issues and their resolution early in the design stage. In this context, the Board provides cost-effective oversight.

In line with Congressional actions thus far, the Board believes it is prudent to proactively address DOE safety issues and requires the additional resources addressed in this budget submission to accomplish its expanded workload. The Board's FY 2011 budget request of $28,640,000 in new budget authority and 117.5 FTEs is necessary to ensure the scientific and technical resources required to address nuclear safety issues are available to review expanding DOE design and construction, remediation, and future weapons programs in a timely and efficient manner, address Congressional concerns, and meet the President's guidance concerning oversight of Recovery Act funds.

4. FY 2011 BUDGET REQUEST

FY 2011 Request Summary	*Permanent Positions*	*FTE*	*Amount ($000)*
FY 2009 Actual	102	99	$25,000
FY 2010 Budget Request	115	110	$26,086
FY 2011 Budget Request	120	117.5	$28,640
Total Change 2010-2011	5	7.5	$ 2,554

The DNFSB Mission

Congress created the Defense Nuclear Facilities Safety Board (Board) as an independent agency within the Executive Branch (42 U.S.C. § 2286, *et seq.)* to identify the nature and consequences of potential threats to public health and safety at the Department of Energy's (DOE's) defense nuclear facilities, to elevate such issues to the highest levels of authority, and to inform the public. Under its legislative mandate (Exhibit B), the Board plays a key role in maintaining the future viability of the Nation's nuclear deterrent capability by:

- Ensuring that the health and safety of the public and workers at the DOE defense nuclear facilities located throughout the United States are adequately protected, as DOE attempts to maintains the readiness of the nuclear arsenal, dismantles surplus weapons, disposes of excess radioactive materials, cleans up surplus defense facilities, and constructs new defense nuclear facilities;

- Enhancing the safety and security at our Country's most sensitive defense nuclear facilities when hazardous nuclear materials and components are placed in more secure and stable storage; and

- Providing for the early identification of health and safety vulnerabilities, allowing the Secretary of Energy to address issues before they become major problems.

The Challenge

The Board uses its oversight authority to reduce the nuclear safety risks that exist in the defense nuclear complex to the greatest extent possible. The DOE nuclear weapons program remains a technically challenging and hazardous operation. Many tons of radioactive and toxic materials exist throughout the defense nuclear complex, either in storage or in use. There are multiple pathways by which these hazards might be released in the environment, creating risks to the workers and the public. A large number of the complex's facilities were constructed decades ago and are deteriorating.

The Board oversees nuclear facilities at primarily 10 DOE sites. It maintains Site Representatives at six of the sites and maintains a cadre of technical staff at its Headquarters that is organized to perform oversight roles as required. Over the next several years, the Board's safety focus at these sites will be on the following:

- **Pantex Plant in Texas.** Stewardship and maintenance of the nuclear weapons stockpile, including assembly and disassembly, evaluation, maintenance, and dismantlement of nuclear weapons and the storage of special nuclear material, particularly plutonium pits.

- **Oak Ridge National Laboratory / Y-12 National Security Complex in Tennessee.** Stewardship and maintenance of nuclear weapons stockpile, including assembly and disassembly, evaluation, maintenance, and dismantlement of nuclear weapon components; fabrication of nuclear weapon components, including highly enriched uranium processing; and storage of nuclear materials, including uranium from weapon components.

- **Savannah River Site (SRS) in South Carolina.** Tritium operations, storage of special nuclear material, the stabilization of high-level waste and residual nuclear materials from previous defense nuclear operations, and the disposition of excess plutonium.

- **Los Alamos National Laboratory (LANL) in New Mexico.** Stockpile management and stewardship of the nation's nuclear weapons stockpile, including research and enhanced surveillance of weapons, processing of nuclear materials, and pit production.

- **Lawrence Livermore National Laboratory (LLNL) in California.** Management and stewardship of the nuclear weapons stockpile, including research and enhanced surveillance of weapons, and the processing of nuclear materials.

- **Nevada Test Site in Nevada.** Stewardship of the nuclear weapons stockpile, including subcritical experiments and criticality experiments, the packaging and disposal of radioactive waste, and the potential operations with damaged nuclear weapons and improvised nuclear devices.

- **Sandia National Laboratories (SNL) in New Mexico and California.** Management and stewardship of the nuclear weapons stockpile, including research and enhanced surveillance of weapons.

- **Hanford Site in Washington.** Storage and disposition of high-level waste, stabilization of residual sludge from corroded spent nuclear fuel, stabilization of other residual nuclear material from previous operations, and the dismantling and disposition of excess defense nuclear facilities.

- **Idaho National Laboratory (INL) in Idaho.** Storage and stabilization of high-level waste, the storage and disposition of spent nuclear fuel, packaging and disposition of radioactive waste, and the dismantling and disposition of excess defense nuclear facilities.

- **Waste Isolation Pilot Plant (WIPP) in New Mexico.** Receipt, handling, and permanent deep geological disposal of transuranic wastes.

The Risks

The potential for release of hazardous materials to the environment by the DOE defense nuclear facilities continues to pose safety and health risks to the public and the facility workers. Many current facilities are old and deteriorating, while containing significant amounts of hazardous materials, especially nuclear waste. These current facilities require careful risk analysis as operations continue or as they undergo decommissioning and cleanup. New facilities being built to replace current ones or to process, stabilize, and dispose nuclear waste stockpiles in turn create their own new waste streams, and require extensive planning to mitigate risks of environmental release. The design of new and old facilities or structures to prevent the release of hazardous materials must be equal to the challenges provided by earthquakes, extreme winds, floods, lightning, and other such natural phenomena.

Other potential release mechanisms include inadequate safety controls in new and old facility designs, human errors, equipment malfunctions, chemical reactions, fire, detonation of explosives, and inadvertent nuclear criticality events. Many DOE facilities continue to contain sufficient amounts of fissionable material such that the risk of an accidental nuclear criticality exists and must be controlled. Chemical reactions in materials used in defense nuclear work need to be carefully monitored. As the massive DOE nuclear waste cleanup effort continues, the use of leading edge technologies in new facilities can create additional nuclear safety risks due to lack of experience designing, constructing, operating, and maintaining these facilities. DOE's nuclear weapons stockpile stewardship and management operations are unique in that they include nuclear explosive activities and experiments involving co-located high explosives and nuclear material. Unlike commercial nuclear facilities, the risks at these defense nuclear facilities are not solely a function of the quantities of nuclear material present but more importantly, the material processes involved and the potential for explosive dispersal of radioactive materials or inadvertent nuclear detonation.

Strategic Goals

The Board is developing a revised strategic plan. **Technical Nuclear Safety Oversight** is the number one priority for the Board and encompasses activities as outlined in the Board's enabling legislation and other Congressional direction included in authorization and/or appropriations legislation. As will be discussed in more detail later in this budget request, the Board focuses its Technical Nuclear Safety Oversight through four interdependent strategic goals

Strategic Goal # 1: Safe Nuclear Weapon Operations

Strategic Goal # 2: Effective Nuclear Safety Programs and Analysis

Strategic Goal # 3: Safe Processing and Stabilization of Nuclear Materials

Strategic Goal # 4: Safety in Nuclear Facilities Design and Infrastructure

In order to properly support and manage its technical nuclear safety oversight mission, the Board has identified a fifth goal that supports the other strategic goals.

Strategic Goal # 5: Management Excellence

Human Capital - The Board's Greatest Asset

Seventy-one percent of the Board's budget request is dedicated to salaries and benefits for its staff and Board Members. The Board must function as an oversight organization comprising leading technical experts who quickly recognize problems in the hundreds of hazardous operations conducted daily throughout the DOE defense nuclear complex. The Board relies on a determined, focused, and well-executed human capital program that uses all available tools to attract and retain the technical talent necessary to accomplish the Board's congressionally mandated mission. After years of experience, the Board has determined that its technical staff requires scientists and engineers with extensive backgrounds in technical disciplines such as nuclear-chemical processing; conduct of operations; facility safety analysis; conventional and nuclear explosive technology and safety; nuclear weapons safety; storage of nuclear materials; nuclear criticality safety; and waste management. Virtually all of the technical staff personnel have technical master's degrees; those personnel who do not are actively pursuing graduate degrees. Approximately 22 percent of the technical staff has doctoral degrees. Because the Board's health and safety Recommendations and other advisories to the Secretary of Energy are based on in-depth technical information and detailed safety analyses, recruitment and retention of scientific and technical staff members with outstanding qualifications continues to be critical to successful accomplishment of the Board's mission.

As of September 30, the Board increased its staff from 95 personnel at the beginning of FY 2009 to 102, despite losing three people to retirement and other attrition, including the Board Chairman. The Board continues to make hiring a priority and plans to achieve full manning of 115 personnel by the end of FY 2010 consistent with the President's FY 2010 Budget.

Building on its hiring successes of 2008 and 2009, the Board will continue an aggressive approach to reach out to mid-career and senior-level scientists and engineers. The combination of an aging workforce and high demand for experienced scientists and engineers by other organizations will impact Board operations if not dealt with in an aggressive manner. Approximately 17 percent of the Board's technical staff is eligible for regular retirement today. Competition for scientists and engineers with the Board's required expertise continues to be very stiff due to the expected growth of the commercial nuclear industry in the near future, the consequent need for increased technical expertise by the Nuclear Regulatory Commission, the Department of Defense's emphasis on combating weapons of mass destruction, and DOE's nuclear weapons complex activities. Consequently, the Board expects the need to spend more resources on recruiting highly qualified technical personnel in a highly competitive job market.

In addition to continuing to recruit experienced scientific and engineering talent to fill immediate staff needs, the Board will continue to focus on attracting the next generation of scientists and engineers. The Board will continue its highly competitive three-year Professional Development Program (PDP), which brings entry-level technical talent into professional positions within the Board straight from college. Through a technical mentor, individuals are provided a series of individually tailored developmental assignments, formal academic schooling, and a one-year, hands-on field assignment. The Board met its goal of recruiting three people into the program in FY 2009, and now has a total of six in the program at various stages of development.

Health and Safety Oversight Resource Requirements

In order to maintain an effective, independent oversight program over a vast array of DOE defense nuclear programs and projects in geographically dispersed locations, the Board must continually balance and redirect its health and safety oversight resources with careful consideration of the following factors:

(1) Nuclear safety oversight activities are prioritized predominantly on the basis of risks to the public and the workers, the types and quantities of nuclear and hazardous material at risk, and the process and setting of the operations involved.

(2) Identifying potential accident conditions and mitigating their consequences are very important for risk management. Safety is assured by working to understand and reduce the likelihood of events that adversely affect safety and by limiting the consequences of events if they do occur. In addition, safety is assured through robust systems that employ defense in depth, using multiple layers of protection such that no single layer is depended upon to ensure safety.

(3) Safety is not an afterthought in the design-bid-build process. "Safety-in-design" requires integration of safety considerations early in the design and construction process of DOE nuclear facilities. The result of DOE adhering to this concept should be decreased project costs associated with retrofitting or redesigning facilities as they are constructed.

(4) Equally important to safety-in-design is ensuring the facility's safety systems will meet the functional design requirements through careful oversight of the quality assurance practices and testing programs as the facilities are built and placed into operation. Evaluating the transition of a facility from construction to operation requires additional oversight during the startup process and into operation.

(5) Another key facet to a facility's nuclear safety posture is the proper development of Technical Safety Requirements during the construction phase. Typically, Technical Safety Requirements are only preliminary when construction commences; as the facility approaches operation, these key safety provisions are fully developed and implemented. Technical Safety Requirements must be conservatively determined based on a thorough understanding of the safety features in the design and properly implemented during the transition to facility operation; otherwise, the facility will not achieve the required level of safety in operation.

In preparing this budget request, the Board compared its current resources and capabilities against its projected workload, which is derived from three sources: current DOE programs and projects, Congressional direction, and new DOE projects and programs. In FY 2011, the Board will need an additional $1.054M just to maintain the 110 FTE level in the President's FY 2010 Budget, and 7.5 additional FTEs and a $1.500M budget increase in order to meet significant increases in its safety oversight responsibilities and corresponding workload. A summary follows:

- **Increased Congressional concerns about facilities and DOE operations.** Congress has continued to express its concern, both during hearings and in legislation, with DOE's ability to manage its nuclear programs. With its well-recognized technical expertise and cost-effective methods for conducting nuclear health and safety oversight, the Board has been asked to do more to assist the DOE in meeting mission requirements. For example, the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, Public Law 110-417, enacted a limitation on funding for the Chemistry and Metallurgy Research Replacement Project at Los Alamos National Laboratory until the Board and the National Nuclear Security Administration (NNSA) each certify that certain design issues reported by the Board have been resolved. The pertinent language reads as follows:

  SEC. 3112. LIMITATION ON FUNDING FOR PROJECT 04-D-125 CHEMISTRY AND METALLURGY RESEARCH REPLACEMENT FACILITY PROJECT, LOS ALAMOS NATIONAL LABORATORY, LOS ALAMOS, NEW MEXICO.

  Of the amounts appropriated pursuant to an authorization of appropriations in this Act or otherwise made available for fiscal year 2009 for Project 04-D-125 Chemistry and Metallurgy Research Replacement (in this section referred to as ''CMRR'') facility project, Los Alamos National Laboratory, Los Alamos, New Mexico, not more than $50,200,000 may be made available until (1) the Administrator for Nuclear Security and the Defense Nuclear Facilities Safety Board have each submitted a certification to the congressional defense committees stating that the concerns raised by the Defense Nuclear Facilities Safety Board regarding the design of CMRR safety class systems (including ventilation systems) and seismic issues have been resolved; and (2) a period of 15 days has elapsed after both certifications under paragraph (1) have been submitted.

  The Board applied significant effort toward accomplishing this certification. The Board reviewed design documentation, including the Preliminary Documented Safety Analysis, supplied by NNSA and established a process that allowed NNSA and the Board to reach mutual agreement on issues identified by the Board. This effort required the Board to prioritize other oversight work within available staff resources.

- **Increased activity at DOE defense nuclear facilities.** The risks and challenges facing DOE continue to grow. DOE is pursuing more than 20 major design and construction projects to build nuclear material waste treatment facilities (Exhibit A). The Board is required by law to review DOE's design and construction projects to ensure that the health and safety of the public and workers is addressed early in the design process. In FY 2011, the Board will be required to expend considerable resources to review ongoing design efforts, as well as construction activities. More DOE defense nuclear facility design and construction projects are planned for the near future.

- **Review of DOE directives**. DOE Order 251.1C, *Departmental Directives Program*, was approved in January 2009. This directive codifies a set of principles relating to directives intended to simplify and clarify requirements, reduce redundancy and unnecessary burden, and support improved departmental management and mission accomplishment as outlined in a memorandum issued by the Secretary of Energy on September 10, 2007. Because DOE Order 251.1C establishes the framework for the entire directives program, it affects all DOE safety directives. Further, DOE's Office of Health, Safety and Security (HSS) has been leading a multi-phased, multi-year effort to review and streamline key safety directives to ensure they meet the Secretary of Energy memorandum on an individual basis. HSS revised six safety directives in 2009. Those directives were submitted to a DOE red team and the Board's staff for an intensive review prior to the formal DOE review and comment process. The reviews of the HSS safety directives will continue for the next several years, demanding rigorous review by the Board and its staff to maintain the requisite nuclear safety requirements.

The resource implications of these revision efforts are potentially immense. As DOE reissues its directives to comply with the new program, and continues the HSS directive-by-directive reviews, the Board will need to review all of them to ensure health and safety requirements are properly included in the new directives.

Recovery Act Oversight

The American Recovery and Reinvestment Act of 2009 provided $6B to DOE for environmental clean-up, of which over $4.8B has been allocated for defense nuclear facilities. These new projects add to the Board's workload. The Board has already begun to perform safety oversight of the planning and execution of Recovery Act projects, including the adequacy of training of new cleanup workers and the effectiveness of DOE's safety oversight.

A summary of the $4.8B+ in projects that DOE has identified as being allocated for defense nuclear facilities is as follows:

- Hanford (Richland Operations Office) ($1.635 billion) - Demolish nuclear facilities and support facilities, remediate waste sites, remediate contaminated groundwater, and retrieve solid waste from burial grounds. Accelerate cleanup of facilities, waste sites, and groundwater along the Columbia River to support shrinking the active area of cleanup at the 586-square-mile Hanford Site to 75 square miles or less by 2015.

- Hanford (Office of River Protection) ($326 million) - Accelerate design and construction of infrastructure and systems to transfer radioactive liquid waste from aging underground tanks to a waste treatment facility for immobilization and disposal. Accelerate design for the high-level waste storage facility. Upgrade the effluent treatment facility to continue waste volume reduction operations and the 222-S Analytical Laboratory to allow continued retrieval of waste from aging single-shell tanks. Develop single-shell tank integrity programs for safe storage of waste.

- Savannah River Site ($1.615 billion) - Accelerate decommissioning of nuclear facilities and contaminated areas throughout the site, including in-place decommissioning of two nuclear materials production reactors. Recovery Act work includes shipping more than 4,500 cubic meters of waste out of South Carolina and will reduce the site's industrial area by 40 percent, or 79,000 acres, by September 2011.

- Oak Ridge ($755 million) - Accelerate demolition and disposal of remaining uranium enrichment plant buildings, surplus Manhattan Project era buildings, and highly contaminated uranium processing buildings, and perform soil remediation to protect area groundwater. Accelerate cleanup of the most significant sources of off-site mercury release to East Fork Poplar Creek to prevent further contamination of the area.

- Idaho National Laboratory ($468 million) - Accelerate demolition of excess nuclear and radiological facilities resulting in a footprint reduction of more than 800,000 square feet. Retrieve targeted waste per the agreement with the state of Idaho and accelerate the shipment of waste offsite for disposal.

- Los Alamos National Laboratory ($212 million) - Demolish 35 buildings and structures across the complex, reducing the footprint by more than 260,000 square feet.

- Nevada Test Site ($44 million) - Identify waste characteristics within the soil at three corrective action sites and install groundwater monitoring wells to provide additional data on groundwater contamination to support future cleanup work. Demolish three major facilities and two smaller structures, removing contaminated materials.

Technical Staffing Requirements

The Board needs to recruit and retain additional technical staff in order to have the capability to perform nuclear safety oversight commensurate with the projected workload in FY 2011. For FY 2011, the Board requires additional staffing in the following areas:

- Experienced engineers to perform oversight functions to meet the Board's four technical safety oversight goals (Safe Nuclear Weapon Operations, Effective Nuclear Safety Programs and Analysis, Safe Processing and Stabilization of Nuclear Materials, and Safety in Nuclear Facilities Design and Infrastructure) to meet the increased workload generated by DOE, including the work relating to the Recovery Act. The Board's near-term emphasis will be on engineers in disciplines relevant to nuclear facility design, nuclear safety analysis, and oversight of nuclear operations, including cleanup activities. The Board estimates this additional level of effort to be 4.5 FTEs for FY 2011.

- Experienced engineers with backgrounds in safety standards who can review new DOE safety documents to ensure policies and procedures have been properly transferred from current orders, manuals, and other documents, and that changes in policies and procedures do not degrade the safety margin for defense nuclear facilities. The Board estimates that for FY 2011, this level of effort will increase the Board's workload by three FTEs.

Additional Funding Needs

In addition to the funding needed for the increased 5 positions (7.5 FTEs) required to address the Board's growing workload, the Board's budget request includes funding to pay for the proposed January 2011 Federal pay raise. It also includes funding for an increase in rent (based on the FY 2011 rent estimate received from GSA) and inflationary cost increases to other non-personnel accounts, although $225,000 will be offset by program reductions and administrative savings in five areas. Also, a reduction of $718,000 in carryover from the previous fiscal year available as a budgetary resource requires additional new budget authority in that amount. An explanation of each requirement and associated funding impact and object class (OC) is discussed as follows:

- **Fully Fund the Salaries and Benefits Account for FY 2011 (OC 10)**

The Board needs additional funding to help pay for impact of the proposed salary increases in January 2011. An additional $182,000 is needed to fund the President's proposed FY 2011 civilian pay raise of 1.4 percent. With 71 percent of the Board's budget dedicated to paying for staff salaries and benefits, the Board is unable to absorb pay increases without a corresponding staff reduction. The financial impact of these unfunded cost-of-living pay increases is especially severe since the Board does not have the financial flexibility to recover from shortfalls in our salary and benefits account.

- **Funding to Offset a Reduction in Carryover Available as a Budgetary Resource**

Historically, the Board has end-of-year carryover of approximately 10% of its budget due to the difficulties the Board had in hiring qualified personnel. These carryovers have allowed the Board to otherwise reduce its annual requests for new budget authority. However, in FY 2010, the end-of-year carryover is projected to be significantly reduced based on the success of the Board's hiring program. The Board's budgeted obligations included in the President's FY 2010 Budget are $28.438M based on budgetary resources of $29.177M, which consist of $26.086M in new budget authority and $3.091M in projected unobligated balances carried over from FY 2009. The Board is currently projecting a carryover of unobligated balances of only $1.735M from FY 2010 into FY 2011. Thus, while is appears the Board is requesting a significant increase in its budget authority in FY 2011, the request actually reflects a more accurate representation of projected obligations. Consequently, in order for the Board to have available budgetary resources match the same baseline level as FY 2010, before even considering programmatic increases and higher personnel costs due to proposed pay raises, it requires new budget authority of $1.356M simply to make up the difference. Of this amount, $638K can be offset by having a lower ending FY 2011 unobligated balance ($101K) versus the amount included in the President's FY 2010 Budget ($739K), leaving a balance of $718K. Without this new budget authority, the Board would have to reduce its obligations by the same amount which would equate to approximately 3–4 FTEs (each FTE is estimated to require $200,000 in obligations including salaries, benefits, travel, and other miscellaneous expenses).

- **Funding for Increases in Rent and Inflation in Other Non-Personnel Accounts**

The Board's FY 2011 rent estimate received from the General Services Administration (GSA) is $2,504,811, a $315,000 increase from the amount included for rent in the President's FY 2010 Budget Request. In addition, the Board is experiencing increased costs due to inflation in non-personnel accounts (excluding rent) such as other services, communications and utilities, supplies and materials, software licenses, etc. The Board requires an additional $64,000 to fund these increased costs (based on an estimate of 1.0% of non-personnel and rent costs), for a total of $379,000.

Program Reductions and Administrative Savings

The Board's FY 2011 Budget Request is based on accomplishing the following program reductions and administrative savings (shown by Object Class (OC)) totaling $225,000, which otherwise offsets the need for additional new budgetary in that amount.

OC	Budget Account (FY10 Baseline)	Reduction or Savings	Description
21	Travel ($1,015,000)	$50,000 (~5%)	The Board anticipates by more aggressively utilizing a recently deployed Video Teleconferencing system, and taking other measures (e.g., more critically assessing the need for attendance at conferences), we will achieve 5% administrative savings in travel.
24	Printing & Reproduction ($50,000)	$2,500 (5%)	The Board anticipates by evaluating its printing practices (e.g., utilizing double-sided printing more extensively, disseminating its print documents electronically to the maximum extent practicable), we will achieve 5% administrative savings in printing and reproduction.
25.1	Advisory & Assistance Services ($1,100,000)	$100,000 (9.1%)	The Board anticipates as it further builds its in-house capabilities by ramping up to 115 personnel by the end of FY 2010, it will be able to "in-source" additional expertise, and therefore reduce its technical consulting contracts by $100,000.
25.2	Other Services ($1,850,000)	$50,000 (2.7%)	The Board anticipates by using strengthened acquisition practices (e.g., improved upfront planning, clearer specification of requirements, and advantageous choice of contract type) it will reduce its administrative support contracts by $50,000.
31	Acquisition of Assets ($450,000)	$22,500 (5%)	The Board anticipates by taking such actions as a greater use of bulk purchasing for hardware supplies, critically assessing the number/level of software license, etc., we will achieve 5% administrative savings in the acquisition of assets.

The Bottom Line

The Defense Nuclear Facilities Safety Board's mandate is to provide vital technical health and safety oversight of the Department of Energy's defense nuclear facilities and activities in order to protect the health and safety of the public and workers. To accomplish this mission in FY 2011, the Board is requesting a total of $28,640,000 in new budget authority, and 117.5 FTEs.

The Board understands that the cost of re-engineering and making post-construction modifications to complex DOE defense nuclear facilities, due to the late identification of significant design flaws that could impact public and worker health and safety, would require significantly more resources than the requested increase. In addition to the $20 billion in new DOE design and construction already planned, DOE is planning to spend nearly another $5B in Recovery Act funds on environmental cleanup at defense nuclear facility sites. Based upon prior experience, the Board's oversight early in the design phase provides a way to avoid hundreds of millions of dollars of increased program cost. In this regard, the Board's increase in requested funding is an inexpensive insurance policy to address Presidential and Congressional priorities.

The Board believes this is not the time to reduce the Board's oversight capability by reducing its resources just as it is achieving success in assembling its requisite staff. The complexity and scope of the DOE defense nuclear weapons complex continues to grow. The Board's budget request of $28,640 million in new budget authority and 117.5 FTEs is necessary to ensure the scientific and technical resources required to address the nuclear safety issues are available to oversee the expanding DOE cleanup program, assess the application of stimulus funding, and oversee modernization of the weapons complex.

Exhibit A. Planned or Underway DOE Design/Construction Projects

SITE	FACILITY	TOTAL PROJECT COST ($M)	STATUS – January of 2010		
			Critical Decision Approved	**Design Completion**	**Construction Completion**
Hanford Site	**Waste Treatment Plant**	12,263			***(Operational 2019)***
	a. Pretreatment Facility		CD-3	76%	27%
	b. High Level Waste Treatment Facility		CD-3	81%	22%
	c. Low Activity Waste Facility		CD-3	90%	55%
	d. Analytical Laboratory Facility		CD-3	78%	53%
	Demonstration Bulk Vitrification System Project	224	CD-1	95% **On hold**	***(Operational on hold)***
	Interim Pretreatment System	182-310	CD-0	<5% **On hold**	***(Operational on hold)***
	K-Basin Closure Project Sludge Treatment	Phase 1: 240 Phase 2: to be determined	Phase 1: CD-0 Phase 2: CD-0	Phase 1: 85% of conceptual design. Phase 2: 0%	***(Operational to be determined)***
	Large Package and Remote Handled Waste Packaging Facility	390	CD-0	0%	Deferred ***(Operational to be determined post-2016)***
	Tank Retrieval and Waste Feed Delivery System	1,140	One sub-project not using the formal CD process.	Various degrees of completion.	Various degrees of completion and operations
	Immobilized High-Level Waste Interim Storage Facility	100	CD-3	90%	Deferred ***(Operational to be determine)***
Idaho National Laboratory	**Integrated Waste Treatment Unit project**	570.9	CD-3	>95%	55% ***(Operational 2011)***

Los Alamos National Laboratory	**Chemistry and Metallurgy Research Replacement Project Nuclear Facility**	>2,000 Being reevaluated	CD-1	100% Preliminary design	Some ground work ***(Operational to be determined)***
	Technical Area 55 Safety System Upgrades	Phase 2: 91-100	Phase 2: CD-2A	Various degrees of completion	**(Phase 2 *Complete 2017*)**
	Upgrades to Pit Manufacturing Capability at Tech Area 55	Annual funding	Not formally implementing critical decision process	Various degrees of completion	Work ongoing
	Radioactive Liquid Waste Treatment Facility Upgrade Project	119-172	CD-1	60% of total design	***(Operational 2014)***
	New Solid Transuranic Waste Facility Project	133-199	CD-0	60% **On hold**	***(Operational to be determined)***
	Nuclear Material Safeguards and Security Upgrades Project Phase 2	245	CD-3B	100%	***(Operational 2013)***
	Technical Area 55 Radiography Project	38	CD-0	90% **On hold**	***On hold***
Nevada Test Site	**Device Assembly Facility -- Criticality Experiments Facility**	150	CD-3	100%	> 90% ***(Operational 2010)***
Oak Ridge National Laboratory	**Building 3019 – Uranium-233 Downblending and Disposition Project**	477	CD-2/3A	60%	***(Operational 2012)***
Pantex Plant	**Weapon Surveillance Facility (previously called Component Evaluation Facility)**	130	CD-0	**On hold**	***(Operational on hold)***
Savannah River Site	**Pit Disassembly and Conversion Project (combines Pit Disassembly and Conversion Facility and Plutonium Preparation Project)**	Under Evaluation	CD-0	<5%	***(Operational being evaluated)***
	Salt Waste Processing Facility	1,340	CD-3	95%	17% ***(Operational 2015)***
	Tank 48 Treatment Process Project	122-138	CD-1	< 5%	***(Operational 2014)***
	Waste Solidification Building	345	CD-2/3	100%	12% ***(Operational 2013)***
Y-12 National Security Complex	**Uranium Processing Facility**	1,400-3,500	CD-1	35%	***(Operational 2018)***

Exhibit B. The Board's Legislative Mandate

The Board's specific duties and responsibilities are delineated in its enabling statute, 42 U.S.C. § 2286, *et. seq.*, which states:

- The Board shall review and evaluate the content and implementation of the standards relating to the design, construction, operation, and decommissioning of defense nuclear facilities of the Department of Energy (including all applicable Department of Energy orders, regulations, and requirements) at each Department of Energy defense nuclear facility. The Board shall recommend to the Secretary of Energy those specific measures that should be adopted to ensure that public health and safety are adequately protected. The Board shall include in its recommendations necessary changes in the content and implementation of such standards, as well as matters on which additional data or additional research is needed.

- The Board shall investigate any event or practice at a Department of Energy defense nuclear facility which the Board determines has adversely affected, or may adversely affect, public health and safety.

- The Board shall have access to and may systematically analyze design and operational data, including safety analysis reports, from any Department of Energy defense nuclear facility.

- The Board shall review the design of a new Department of Energy defense nuclear facility before construction of such facility begins and shall recommend to the Secretary, within a reasonable time, such modifications of the design as the Board considers necessary to ensure adequate protection of public health and safety. During the construction of any such facility, the Board shall periodically review and monitor the construction and shall submit to the Secretary, within a reasonable time, such recommendations relating to the construction of that facility as the Board considers necessary to ensure adequate protection of public health and safety. An action of the Board, or a failure to act, under this paragraph may not delay or prevent the Secretary of Energy from carrying out the construction of such a facility.

- The Board shall make such recommendations to the Secretary of Energy with respect to Department of Energy defense nuclear facilities, including operations of such facilities, standards, and research needs, as the Board determines are necessary to ensure adequate protection of public health and safety. In making its recommendations, the Board shall consider the technical and economic feasibility of implementing the recommended measures.

Annual Performance Budgeting Objectives for Fiscal Year 2011

The Defense Nuclear Facilities Safety Board (Board) is an independent, Executive Branch federal agency charged by statute with providing technical safety oversight of the Department of Energy's (DOE) defense nuclear facilities and activities in order to protect the health and safety of the public and the workers.

The Board's Strategic Plan presents the four Technical Nuclear Safety Oversight performance goals, summarized below, from which annual performance objectives are derived.

1. **Nuclear Weapon Operations:** DOE operations that directly support the nuclear stockpile and defense nuclear research are conducted in a manner that ensures adequate protection of the health and safety of the workers and the public.

2. **Nuclear Material Processing and Stabilization:** The processing, stabilization, and disposition of DOE defense nuclear materials and facilities are performed in a manner that ensures adequate protection of health and safety of the workers and the public.

3. **Nuclear Facilities Design and Infrastructure:** New DOE defense nuclear facilities and modifications to existing facilities are designed and constructed in a manner that ensures adequate protection of health and safety of the workers and the public.

4. **Nuclear Safety Programs and Analysis:** DOE Regulations, requirements, and guidance are developed, implemented, and maintained, and safety programs at defense nuclear facilities are established and implemented as necessary to ensure adequate protection of the health and safety of the workers and the public.

Each of these four performance goals is reviewed in the sections that follow.

To facilitate strategic management, the Board has organized its technical staff into four groups. The Technical Lead of each group is assigned responsibility for one of the four performance goals in the strategic plan, and for executing the performance objectives associated with that goal. As required by Office of Management and Budget (OMB) guidance governing compliance with the Government Performance and Results Act of 1993, the Board has produced measurable performance goals for FY 2010 and FY 2011 that, when executed, will demonstrate continued progress toward the Board's goals. These annual performance objectives and measures establish projected levels of performance and reflect the nature of the Board's independent oversight function.

The Board's objectives as outlined in its strategic plan address multi-year efforts and encompass a broad spectrum of technical areas relevant to the safety of DOE's defense nuclear mission. This submission includes the Board's *Annual Performance Plan for FY 2011,* which identifies annual performance objectives that consist of technical issues to be evaluated in support of the Board's strategic plan, and the identification of specific candidate topics for these reviews. An outcome measure for each objective is described as part of the discussion of each annual performance goal. Assessments of the outcome associated with each annual performance goal are provided in the Board's annual performance reports.

The Board measures progress toward achieving each annual performance goal in three stages by evaluating:

- DOE's acknowledgment that a safety enhancement is needed after the Board communicates the results of its technical reviews;
- DOE's subsequent development of appropriate corrective actions to resolve the Board-identified safety issue; and
- DOE's implementation of the necessary corrective actions, leading to the successful resolution of the safety issue and resulting in improved protection of the public, the workers, and the environment.

The basis of measurement for the qualitative assessment includes formal correspondence from DOE and its contractors, the Board's correspondence, reports from the Board's staff, public testimony by DOE and contractor personnel, and other sources. Past reporting (see the Board's Annual Reports to Congress) of Board-identified issues and associated DOE responses demonstrates that the Board has a sustained, clear, and substantial positive impact on the safety of DOE's defense nuclear activities.

Because of the variability of DOE's plans and schedules, some candidate areas identified in the Board's annual performance plan may not be addressed during a performance period. However, the Board's annual performance report will document that an equivalent level of effort was expended in support of the strategic objective, and describe the alternative area that was selected for review.

To facilitate an integrated review, the tables in the four major performance goals that follow are formatted to show the flow-through from the general objective set forth in the Board's Strategic Plan to the specific Annual Performance Objectives for FY 2010 and FY 2011. To place this planning information in context, the performance goals are followed by examples of the Board's accomplishments during the years FY 2006 through FY 2009, as required by OMB's instructions on preparing and submitting a performance budget.

A comprehensive assessment of progress during Calendar Year (CY) 2008 appears in the Board's *Nineteenth Annual Report to Congress.* The Board's annual performance reports are available for review on the Internet at www.dnfsb.gov under the *Public Documents/Reports to Congress* search headings.

5. PERFORMANCE GOAL 1: NUCLEAR WEAPON OPERATIONS

DOE operations that directly support the nuclear stockpile and defense nuclear research are conducted in a manner that ensures adequate protection of the health and safety of the workers and the public.

OUTCOME: DOE will have acknowledged, acted upon, and/or resolved the health and safety issues raised by the Board, and the facilities are operated to approved safety standards, rules, orders, and directives. Follow-up technical evaluation of DOE's nuclear stockpile activities will verify necessary improvements in safety.

SUMMARY:

Focused oversight of nuclear weapon activities at the Pantex Plant, in response to stockpile reduction initiatives, life extension programs, and stockpile surveillance requirements, will continue to be a major priority for the Board in FY 2011. Ongoing programmatic operation of aged facilities at the Y-12 National Security Complex (Y-12), in parallel with preparations to construct and transition into modern facilities, will likewise present the need for significant safety oversight activities by the Board. The relocation of hazardous missions to the Nevada Test Site (NTS) will also be a focus area for the Board's safety oversight. Key areas of safety oversight for the Board in FY 2011 will include:

- *Nuclear Explosive Operations*—DOE's efforts to maintain an increased operational tempo at Pantex are expected to continue, due to life extension programs for aging weapon systems as well as the need to dismantle retired weapons as the nuclear weapons stockpile is reduced. DOE is expected to implement "safety by design" re-engineering known as Seamless Safety for the 21st Century (SS-21) for proposed B53 dismantlement operations and W84 operations at Pantex. When this effort is complete, all nuclear explosive operations at Pantex will have been re-designed to meet SS-21 technical safety objectives.

- *Y-12 Modernization*—The Board will need to carefully evaluate continued programmatic operations at Y-12, particularly the need for upgrades to preserve safety in aging facilities that are overdue for replacement. Safety oversight is also needed for activities required to transition to new facilities (e.g., processing and packaging materials for transfer to the Highly Enriched Uranium Materials Facility, following the Operational Readiness Review scheduled to be complete in January 2010).

- *Nevada Test Site Nuclear Activities*—There is significant work to be done for DOE to develop a capability at NTS to disposition a damaged nuclear weapon or improvised nuclear device. In addition, further subcritical experiments are expected to be conducted at NTS in support of nuclear weapon programs. Finally, the Nation's single capability to perform nuclear criticality experiments is being moved from Los Alamos National Laboratory (LANL) to NTS. The Board will be required to assess the safety of criticality operations at NTS beginning in FY 2010.

- *Safety Upgrades at the National Laboratories*—Safety-related events in FY 2005 led to the shutdown of nonessential activities at LANL, and operations at the Lawrence Livermore National Laboratory (LLNL) plutonium facility later were curtailed based on assessments of its safety programs. Similarly, reviews by the Board at the Sandia National Laboratories (SNL) found deficiencies in the authorization bases and safety programs for its nuclear facilities. Progress is being made, but resolution of the underlying safety-related deficiencies will require years of effort by DOE and the laboratories and will require continued Board oversight.

Performance Goal 1	**Nuclear Weapon Operations.** DOE operations that directly support the nuclear stockpile and defense nuclear research are conducted in a manner that ensures adequate protection of health and safety of the workers and the public.

FY 2011 Performance Objectives

The Board and its staff will verify the safety of DOE's defense nuclear facilities and activities relating to the maintenance, storage, and dismantlement of the nuclear weapon stockpile, quality assurance of the stockpile, as well as its associated research and development, and the capability to test nuclear weapons and disposition damaged or improvised nuclear devices (such as a terrorist device).

The Board and its staff will conduct assessments of DOE's efforts to develop and implement safety management systems for stockpile management activities. The Board's evaluations will be split between DOE efforts to develop safety systems (e.g., system and process designs, safety bases, control schemes, and administrative programs) and DOE efforts to implement safety management systems. These reviews will focus on activities at the Pantex Plant, Y-12 National Security Complex (Y-12), Savannah River Site (SRS) tritium facilities, Los Alamos National Laboratory (LANL), Lawrence Livermore National Laboratory (LLNL), Sandia National Laboratories (SNL), and the Nevada Test Site (NTS).

Representative areas for Board and staff review include:

- Development, implementation, and refinement of site-wide and facility-specific safety analyses and controls for nuclear facilities and activities (e.g., safety analysis reports and annual updates developed per 10 CFR 830).
- Weapon-specific safety analyses and controls identification and implementation for nuclear weapon activities (e.g., B53, W76, W84, and W88).
- Nuclear explosive operations at Pantex (e.g., conduct of operations, procedures, lightning protection, electrostatic discharge controls), and adequacy of the Nuclear Explosive Safety Study process.
- Laboratory support of nuclear explosive operations at Pantex (e.g., sensitivity testing of high explosives, electrostatic discharge and lightning protection studies, weapon response evaluation and documentation).
- Cross-cutting functional areas at Pantex, Y-12, NTS, LANL, LLNL, SNL, or SRS tritium facilities (e.g., legacy material disposition, nuclear criticality safety, fire protection, nuclear explosive safety, seismic design, conduct of operations, work planning, training, maintenance, configuration management).
- Special studies of unique or significant hazards at DOE nuclear facilities (e.g., classified projects, process technology alternatives, and disposition of special items and by-product materials).
- Modernization plans and infrastructure upgrades at Y-12.
- Uranium chemical processing and component assembly/disassembly operations at Y-12 (e.g., conduct of operations, criticality safety, and fire protection).
- Plutonium pit manufacturing and certification at LANL.
- Corrective actions to strengthen institutional safety programs and infrastructure at LANL, LLNL, and SNL including reviews of the adequacy of Vital Safety System assessments and the implementation of Conduct of Operations and Engineering at various LANL facilities.
- Readiness to dispose of damaged nuclear weapons or improvised nuclear devices at NTS.
- Subcritical experiments at NTS.
- Nuclear explosive operations at the Device Assembly Facility at NTS.
- Operation of the Criticality Experiments Facility at NTS.
- Implementation of Recommendation 2005-1, *Nuclear Material Packaging*.

While performing its reviews, the staff will assess the effectiveness of ISM implementation and the safety controls identified for ongoing operations as well as any new weapon system surveillance, life extension, or dismantlement projects at Pantex, Y-12, or NTS that start in FY 2011.

Performance Goal 1	**Nuclear Weapon Operations.** DOE operations that directly support the nuclear stockpile and defense nuclear research are conducted in a manner that ensures adequate protection of health and safety of the workers and the public.

FY 2010 Performance Objectives

The Board and its staff will verify the safety of DOE's defense nuclear facilities and activities relating to the maintenance, storage, and dismantlement of the nuclear weapon stockpile, quality assurance of the stockpile, as well as its associated research and development, and the capability to test nuclear weapons and disposition damaged or improvised nuclear devices (such as a terrorist device).

The Board and its staff will conduct assessments of DOE's efforts to develop and implement safety management systems for stockpile management activities. The Board's evaluations will be split between DOE efforts to develop safety systems (e.g., system and process designs, safety bases, control schemes, and administrative programs) and DOE efforts to implement safety management systems. These reviews will focus on activities at the Pantex Plant, Y-12 National Security Complex (Y-12), Savannah River Site (SRS) tritium facilities, Los Alamos National Laboratory (LANL), Lawrence Livermore National Laboratory (LLNL), Sandia National Laboratories (SNL), and the Nevada Test Site (NTS).

Representative areas for Board and staff review include:

- Development, implementation, and refinement of site-wide and facility-specific safety analyses and controls for nuclear facilities and activities (e.g., safety analysis reports and annual updates developed per 10 CFR 830).
- Weapon-specific safety analyses and controls identification and implementation for nuclear weapon activities (e.g., B53, W76, W84, and W88).
- Nuclear explosive operations at Pantex (e.g., conduct of operations, procedures, lightning protection, electrostatic discharge controls), and adequacy of the Nuclear Explosive Safety Study process.
- Laboratory support of nuclear explosive operations at Pantex (e.g., sensitivity testing of high explosives, electrostatic discharge and lightning protection studies, weapon response evaluation and documentation).
- Cross-cutting functional areas at Pantex, Y-12, NTS, LANL, LLNL, SNL, or SRS tritium facilities (e.g., legacy material disposition, nuclear criticality safety, fire protection, nuclear explosive safety, seismic design, conduct of operations, work planning, training, maintenance, configuration management).
- Evaluation of the safety culture of the Pantex Plant and associated design agencies.
- Special studies of unique or significant hazards at DOE nuclear facilities (e.g., classified projects, process technology alternatives, and disposition of special items and by-product materials).
- Readiness activities for the Highly Enriched Uranium Materials Facility.
- Modernization plans for Y-12, including startup of the Beryllium Capability Project, accelerated dismantlement of weapons components, and infrastructure upgrades.
- Plutonium pit manufacturing and certification at LANL.
- Corrective actions to strengthen institutional safety programs and infrastructure at LANL, LLNL, and SNL.
- Readiness to dispose of damaged nuclear weapons or improvised nuclear devices at NTS.
- Subcritical experiments at NTS.
- Nuclear explosive operations at the Device Assembly Facility at NTS.
- Readiness for Criticality Experiments Facility operations at the Device Assembly Facility at NTS.
- Authorization of SNL Auxiliary Hot Cell Facility and the Radioactive Mixed Waste Management Facility as Hazard Category 3 facilities.
- Implementation of Recommendation 2005-1, *Nuclear Material Packaging*.

While performing its reviews, the staff will assess the effectiveness of ISM implementation and the safety controls identified for ongoing operations as well as any new weapon system surveillance, life extension, or dismantlement projects at Pantex, Y-12, or NTS that start in FY 2010.

Performance Goal 1	**Nuclear Weapon Operations.** DOE operations that directly support the nuclear stockpile and defense nuclear research are conducted in a manner that ensures adequate protection of health and safety of the workers and the public.

FY 2009 Performance Accomplishments

Continued Operation of the LANL Chemistry and Metallurgy Research Facility. In letters dated October 23, 2007, and May 16, 2008, the Board questioned DOE's decision to operate the 55-year-old Chemistry and Metallurgy Research facility an estimated six years past the previously planned shutdown date of 2010. Given the age, material condition, nuclear material inventory, and seismic fragility of the facility, the Board encouraged DOE to assess these risks promptly and evaluate alternative means of accomplishing programmatic requirements. In May 2009, the Board reviewed LANL's proposed safety basis for operations beyond 2010, identified inconsistent or inadequate assumptions in the safety analysis, and pointed out opportunities to improve safety by reducing the radioactive material at risk. LANL is revising the proposed safety basis.

Integrated Nuclear Planning. The Board identified that DOE had not demonstrated formal mechanisms to ensure that design requirements and interfaces for pit manufacturing at LANL were appropriately managed and controlled across the suite of projects that contribute to the future plutonium processing infrastructure. In response, DOE developed an Integrated Nuclear Planning process to improve coordination among its projects as national security mission requirements are refined. The Board has participated in four Integrated Nuclear Planning workshops this fiscal year and believes the process is effective and continues to improve.

Transuranic Waste Operations at LANL. In a letter dated January 18, 2007, the Board urged NNSA to promptly develop a viable pathway for shipping high-activity transuranic waste drums from LANL to the Waste Isolation Pilot Plant for disposal. Postulated accident scenarios involving these drums predict high consequences to the public because of their radiological loading, the proximity of the storage area to the site boundary, and the lack of robust engineered controls. In response, DOE has bolstered waste disposition work at LANL by facility infrastructure upgrades, new safety basis documents, and training and qualification of operators. By April 2008, NNSA had remediated all of the high-activity drums then available for processing. Preparations are underway to vent the remaining drums to allow processing and disposal.

Nuclear Criticality Safety at LANL. In a September 10, 2007, letter to NNSA, the Board expressed concern that a software tool (MASS) was being relied upon by operators as a control to ensure compliance with criticality safety limits without appropriate Software Quality Assurance. In response to the Board letter, NNSA committed to modifying procedures and retraining facility staff at LANL to ensure that MASS is not used to determine compliance with criticality safety limits. NNSA also stated that the Los Alamos Site Office (LASO) would review this issue during planned assessments. Overall, the actions that were taken by LANL resulted in a strengthened safety posture, and the schedule for bringing the nuclear criticality safety program into full compliance with industry standards and DOE directives appears acceptable.

LANL Plutonium Facility Confinement Ventilation. The decade-old safety basis for the Plutonium Facility credits a passive confinement strategy instead of active confinement ventilation as a safety-class control to protect the public from postulated accidents. As part of DOE's implementation plan for the Board's Recommendation 2004-2, an evaluation of the facility's confinement strategy was conducted along with a parallel effort to develop a new safety basis for the facility. The Board issued DOE a reporting requirement on January 13, 2009, to follow through on the DOE's commitment to deliver the Ventilation System Evaluation Report to the Board (originally due December 21, 2006) and provide Program Secretarial Office concurrence with and approval of the upgrades in coordination with the Central Technical Authority (originally due March 20, 2007). In its June 16, 2009, response, DOE asserted that some modifications identified as needed in the confinement ventilation evaluation may have subsequently been determined to be unnecessary to meet the overall safety strategy and goals under the final approved documented safety analysis. The DOE response contained inconsistencies regarding the course of action to address the scenario of a seismic event followed by a fire. The Board is continuing to engage DOE to ensure support for improvements to the safety posture of defense nuclear facilities is appropriate and timely.

LANL Plutonium Facility Vault Water Bath. The Board identified issues with the storage of plutonium-238 materials in the cooling water bath in the LANL Plutonium Facility's storage vault. Many of the containers lacked manufacturing pedigree and data on the condition of their contents. In response, the laboratory developed a plan to repack or overpack all questionable containers into robust packaging by June 2010.

LANL Weapons Engineering Tritium Facility. In October 2008, LANL ceased operations at the tritium facility due to a Technical Safety Requirement violation and problems with the pressure safety program. These issues were initially identified by a Board review in July 2007 and communicated to DOE by letter on October 16, 2007. To comply with the facility's safety basis, changes were made to the piping system, pressure relief components, and the facility's pressure safety procedures. The Board carefully tracked these changes and questioned the laboratory's plan (viewed as acceptable by the NNSA Los Alamos Site Office) to restart operations without a formal readiness review. In response to the Board's concerns, NNSA-Headquarters held discussions with its site office and the laboratory, with the result that LANL developed a detailed Plan of Action for a formal contractor Readiness Assessment that will also include significant Federal oversight.

Nuclear Explosive Safety. The Board evaluated 9 Nuclear Explosive Safety (NES) studies or change evaluations conducted at Pantex, including Master Studies of Pantex Special Purpose facilities and Support Activities. In a letter dated December 12, 2008, the Board identified shortcomings in the current NES process, including the designation of findings that must be addressed before or after nuclear operations are allowed to continue or start. In response, NNSA held a workshop to discuss these shortcomings and is pursuing actions to address the Board's concerns.

Revised Nuclear Explosive Safety Directives. In response to changes in operational and organizational realities and observations communicated by the Board, DOE completed the revision and implementation of key nuclear explosive safety directives, including DOE Order 452.1C, *Nuclear Explosive and Weapon Surety Program*; DOE Order 452.2C, *Safety of Nuclear Explosive Operations*; and DOE-STD-NA-3016-2006, *Hazard Analysis Reports for Nuclear Explosive Operations*.

Quality of Safety-Related Information for Nuclear Explosive Operations. The Implementation Plan for Recommendation 98-2, *Safety Management at the Pantex Plant*, addressed the need for DOE to issue further guidance on its expectations for the evaluation and documentation of weapon response to potential accident environments and stimuli. The Board and DOE agreed that the revised DOE-STD-NA-3016-2006 would include the needed requirements for these analyses. In FY 2009, the Board reviewed the design laboratories' implementation of the standard and closed Recommendation 98-2 based on the finding that each laboratory had developed a process that would meet the standard.

Lightning and Electrostatic Discharge Protection at Pantex. The Board issued a letter on March 30, 2007, identifying that work remained to adequately address the hazards posed by the indirect effects of a lightning strike on Pantex facilities. DOE responded by forming the Nuclear Weapons Complex Electromagnetics Committee to analyze both lightning and electrostatic discharge (ESD) hazards. The Committee has begun to execute a plan to systematically address the Board's concerns and to improve the safety of operations at Pantex relative to lightning and ESD hazards. In FY 2009, the concern for concrete spalling was addressed, and testing for intrinsic bonding in nuclear explosive facilities was initiated. The Board has engaged experts in the field of lightning effects to verify DOE's analyses.

Pantex Procedures. In 2009, the Board completed a series of onsite reviews and provided immediate feedback to Pantex on areas where immediate improvements could be made in nuclear explosive operating procedures. Pantex took action to address the deficiencies identified during the reviews.

W76 Restart at Pantex. On August 8, 2008, the Board issued a letter detailing concerns with the process DOE used to authorize restarting W76 nuclear explosive operations following a safety-related work suspension. The Board reviewed the technical basis for the controls that were put in place to address the hazards that caused the work suspension and determined the controls were adequate to ensure public health and safety.

Pantex Safety Basis. In a letter dated July 30, 2007, the Board identified issues with the Pantex safety basis, including the treatment of beyond design basis accidents, the level of detail in some technical safety requirements, and a systematic lack of timeliness in declaring potential inadequacies in the safety basis. In December 2008, DOE began work to upgrade the safety basis at Pantex by reviewing all Technical Safety Requirements and recategorizing all Specific Administrative Controls to be consistent with DOE-STD-1186-2004, *Specific Administrative Controls*. The Board is reviewing the progress of this initiative and its impact on nuclear explosive operations.

Pantex Training and Qualification. The Board conducted a review of training and qualification procedures at Pantex. The Board issued a letter on July 8, 2008, noting concerns with the DOE program for providing weapons training units sufficient to conduct high fidelity training and with the lack of design agency training for Pantex employees on specific skills critical to nuclear explosive operations. DOE developed a program to periodically review the training needs of each weapon program and incorporate provision of high fidelity trainer units into the budget. In FY 2009, Pantex completed this review on several programs.

Pantex Tooling Review. In 2009, the Board completed a review of the Pantex tooling program and provided immediate feedback on the strengths and weaknesses of the administrative procedures that govern the tooling program.

Y-12 Activity-Level Work Planning. The Board provided the results of its review of Y-12 activity-level work planning in a letter to DOE dated January 22, 2009. The Board identified several weaknesses with the planning, control, and oversight of work. In response to the Board's concerns, some activities were placed on hold until work planning problems could be resolved and corrected.

Y-12 Nuclear Criticality Safety. The Board completed a review of nuclear criticality safety evaluations that found that certain evaluations failed to meet select requirements, potentially compromising the safety margin for fissionable material operations. In response to the Board's January 23, 2009 letter documenting the review, evaluations were strengthened and weaknesses identified during an extent of conditions review were corrected.

Special Capability Glovebox Project at Y-12. The Board's review of the Special Capability Glovebox design in 2007 found no major design issues but identified questions regarding administrative controls. The Board continued its review in FY 2009 and found no issues that would impact the plan to begin operations in FY 2010.

Conduct of Operations at Y-12. After several operational events, the Board urged NNSA to consider action to achieve consistent, disciplined operations. NNSA developed and began to implement corrective actions to address these issues including additional periodic training. The Board also noted that procedure use practices were inconsistent and that poor procedural compliance had been a contributor to many operational events. NNSA issued a Y-12 procedure use policy and began a campaign to review all procedures authorized for use during nuclear operations for potential improvements, including identifying the appropriate use category for each procedure.

Continued Operations of the Enriched Uranium Operations Building. Due to concerns over NNSA's ability to safety operate the Enriched Uranium Operations Building for an extended period of time, the Board advocated that NNSA regularly assess the physical condition of the building in a letter dated March 13, 2007. Per the Board's request, NNSA has provided the Board with two annual reports (in March 2008 and March 2009) that included specific actions NNSA has planned and taken to improve the safety posture of the Enriched Uranium Operations Building.

Work Planning and Control at LLNL. As part of the implementation plan for the Board's Recommendation 2004-1, *Oversight of Complex, High-Hazards Operations*, DOE promulgated a document in 2006 that provided the attributes and best practices of a successful work planning and control process. LLNL recently issued revised work planning processes for the laboratory as a whole and the Nuclear Materials Technology Program nuclear facilities. These processes were developed to meet the guidance document.

NTS Device Assembly Facility (DAF) Fire Suppression System. In 2008, the Board determined that DAF had significant weaknesses in the fire suppression system, weaknesses that should be corrected before beginning more hazardous operations. In response, NNSA initiated an improvement project for the fire suppression system to assess the condition of the system, analyze and prioritize needed improvements, and plan to improve the system. In FY 2009, NNSA evaluated the results of the condition assessment, developed improvement options, presented a path forward, and began improvements to the system.

Readiness to Dispose of a Damaged Nuclear Weapon or Improvised Device at NTS. NNSA is developing a plan for implementation of safety controls and upgrades appropriate for the scope of operations for the facility at NTS (G tunnel) that would be used in disposition of an improvised nuclear device. The Board expects the new plan to be available in 2010. As a result of the Board's interactions and discussions in FY 2009, NNSA continued to complete some facility improvements and implement the results of the cost/risk benefit analysis of proposed controls and improvements. FY 2009 improvements have focused on significant occupational safety issues, e.g., tunnel ventilation.

Criticality Experiments in DAF. NNSA has been preparing for Criticality Experiment Facility operations at the Device Assembly Facility. Previously, the Board has reviewed and commented on the design for facility modifications and modification of the critical assembly machines. In FY 2009, the Board reviewed construction activities and the re-build and testing of the four machines. The Board will evaluate startup activities in 2010.

Performance Goal 1	**Nuclear Weapon Operations.** DOE operations that directly support the nuclear stockpile and defense nuclear research are conducted in a manner that ensures adequate protection of health and safety of the workers and the public.

FY 2008 Performance Accomplishments

Nuclear Explosive Safety. The Board evaluated 10 Nuclear Explosive Safety (NES) studies, operational safety reviews, or change evaluations conducted at Pantex, including Master Studies of Pantex onsite transportation and staging and Special Purpose facilities. The Board noted technical and administrative areas of concern regarding the process used in conducting NES activities that if addressed will increase the value of the NES study in consistently ensuring nuclear explosive safety.

Revised Nuclear Explosive Safety Directives. In response to changes in operational and organizational realities and observations communicated by the Board, DOE is revising key nuclear explosive safety directives, including DOE Order 452.1C, *Nuclear Explosive and Weapon Surety Program*; DOE Order 452.2C, *Safety of Nuclear Explosive Operations*; and DOE-STD-NA-3016-2006, *Hazard Analysis Reports for Nuclear Explosive Operations*.

Quality of Safety-Related Information for Nuclear Explosive Operations. The Implementation Plan for Recommendation 98-2, *Safety Management at the Pantex Plant*, addresses the need for DOE to issue further guidance on its expectations for the evaluation and documentation of weapon response to potential accident environments and stimuli. The Board and DOE agreed that the revised DOE-STD-NA-3016-2006 would include the needed requirements for these analyses. In FY 2007, the Board issued a letter requesting that DOE provide a schedule for implementing these requirements at the weapon design laboratories and the criteria to be used to verify implementation. In FY 2008, DOE evaluated implementation of these requirements at the laboratories and requested significant improvements. The laboratories have now revised their procedures.

Lightning and Electrostatic Discharge Protection at Pantex. The Board issued a letter on March 30, 2007, identifying that work remains to adequately address the hazards posed by the indirect effects of a lightning strike on Pantex facilities. DOE has responded by forming the Nuclear Weapons Complex Electromagnetics Committee to analyze both lightning and electrostatic discharge (ESD) hazards. The Committee has prepared a plan to systematically address the Board's concerns and to improve the safety of operations at Pantex relative to lightning and ESD hazards. The Board has engaged experts in the field of lightning effects to verify DOE's analyses. The Board also evaluated the modeling of ESD environments at Pantex as well as the development and implementation of effective ESD controls for tooling and facilities for nuclear explosive operations.

Pantex Procedures. In a letter dated April 23, 2007, the Board provided recent examples of inadequacies in technical procedures and noted that improvements are needed in the processes for development, review, validation, and configuration management for procedures at Pantex. In 2008, Board conducted two onsite reviews of procedures and provided immediate feedback to Pantex in an effort to improve nuclear explosive operating procedures.

Pantex Safety Basis. In a letter dated July 30, 2007, the Board identified issues with the Pantex safety basis, including the treatment of beyond design basis accidents, the level of detail in some technical safety requirements, and a systematic lack of timeliness in declaring potential inadequacies in the safety basis. The Board also noted in its letter that DOE has lost configuration control of the safety basis. In response, Pantex developed and implemented a plan to update its safety basis, incorporating outstanding changes and reestablishing configuration control. Pantex also initiated an effort to assess the risk of beyond design basis accidents and evaluate needed controls.

W76 Restart at Pantex. On August 8, 2008, the Board issued a letter detailing concerns with the process DOE used to authorize restarting W76 nuclear explosive operations following a safety-related work suspension. The Board was concerned with the process used to develop the technical basis for new controls and the administrative controls for new operations. DOE responded to the concerns raised in the Board's letter and issued a clear plan for controlling W76 operations as they were restarted. DOE committed to review all similar operations for the hazards that caused the work suspension on the W76.

B53 Dismantlement Planning. On March 20, 2008, the Board issued a letter to DOE raising the issue that the Pantex contractor's planned process for dismantlement of B53 weapons departed from the established conservative practice of performing operations involving uncased conventional high explosives only in nuclear explosive cell facilities, which provide enhanced mitigation of high explosive violent reactions. The Board's letter requested an evaluation of the relative safety risks of alternative processes that could be used for B53 dismantlement. Subsequently, the Pantex contractor determined that it was feasible to perform this work in a cell facility and evaluated the relative risks of several approaches to B53 dismantlement. The contractor's planning now involves performing operations involving uncased conventional high explosives in a cell facility.

Pantex Training and Qualification. The Board conducted a review of training and qualification procedures at Pantex. The Board issued a letter on July 8, 2008, noting concerns with the DOE program for providing weapons training units sufficient to conduct high fidelity training and with the lack of design agency training for Pantex employees on specific weapon critical skills. DOE is taking action to address these shortcomings in its weapon training.

Degradation of 9212 Complex at Y-12. The Board has continued its evaluation of DOE's ability to safely operate the 60-year-old 9212 Complex at Y-12. In response to the concerns raised in the Board's letter of March 13, 2007, DOE completed its first annual assessment of the safety of continued operations of the 9212 Complex, and has committed to develop a plan to accomplish essential facility improvements necessary to ensure safe operation until completion of the planned replacement facility, the Uranium Processing Facility.

Vital Safety Systems at Y-12. The Board reviewed the design; condition, maintenance, and functionality of a sampling of vital safety systems at Y-12. The Board found that in general the systems could meet their safety functions; however, there were some minor deficiencies in design calculations and maintenance procedures that the Board communicated to DOE.

Y-12 Technology Development. The Board reviewed the development of selected technologies intended for insertion into existing facilities and the planned Uranium Processing Facility. The Board did not find any major safety hazards with these technologies given their current level of development, but identified the need to include evaluation criteria related to safety earlier in the technology development process. Y-12 project personnel informed the Board that the Technology Readiness Level process used to evaluate new technologies at Y-12 would be modified to include safety explicitly at an earlier level of development.

Conduct of Operations at Y-12. Following several operational events, the Board urged DOE to consider action to achieve consistent, disciplined operations. DOE developed and began to implement corrective actions to address these issues including additional periodic training. The Board also noted that procedure use practices are inconsistent and that poor procedural compliance has been a contributor to many operational events. DOE committed to evaluating procedure usage and identifying areas for improvement.

Uranium Holdup Survey Program at Y-12. The Board continued its review of the Inadvertent Accumulation Prevention Program (IAPP) and implementation of corrective actions for the IAPP and Uranium Holdup Survey Program, which play key roles in prevention of inadvertent nuclear criticality events. Although DOE has identified actions for individual measurement points, implementation of those actions will take more time, and a completion date has not been determined.

Special Capability Glovebox Project at Y-12. The Board's review of the Special Capability Glovebox design in late 2007 found no major design issues but did identify questions regarding administrative controls which DOE will revisit in early 2009 as a part of prestart readiness reviews.

Readiness to Dispose of a Damaged Nuclear Weapon or Improvised Device at NTS. As a result of the Board's interactions and follow-up discussions in FY 2008, DOE completed some facility improvements, completed a cost/risk benefit analysis of proposed controls and improvements, and is developing a plan for implementation of safety controls and upgrades appropriate for the scope of operations for the facility at NTS (G tunnel) that would be used in disposition of an improvised nuclear device. The Board expects the new plan to be available in 2009.

Safety Improvements at LANL. In a letter dated February 1, 2007, the Board highlighted key areas requiring action to substantially improve the laboratory's safety posture. The Board held a public hearing in Los Alamos, New Mexico, on December 5, 2007, to assess the progress made in these areas. Testimony from DOE and the Board's staff revealed that progress had been made in some areas:

- *Strengthening federal safety oversight*—DOE filled several critical oversight positions at the Los Alamos Site Office and is working to reestablish traditional safety oversight processes. DOE recognizes that significant challenges remain to strengthen federal oversight of nuclear safety at LANL.

- *Developing effective institutional safety programs*—Manuals and plans to strengthen key safety programs have been issued; however, progress toward implementation is slow.

- *Improving safety bases and ensuring the efficacy of safety systems*—While some nuclear facility safety bases were updated and implemented this year, many other nuclear facilities are operating with outdated safety bases up to 12 years old. The laboratory continues to struggle to put in place the configuration management and other engineering, maintenance, and operational elements necessary to assure safety systems will perform their credited safety functions.

- *Eliminating known hazards*—DOE has made some progress in disposing of high-activity transuranic waste drums as well as plutonium-238 and other actinide residues, but more work is needed to complete chemical stabilization of actinide residues and achieve timely disposition of the remaining transuranic waste inventory.

- *Increasing federal management of new projects*—DOE has enhanced federal oversight of the Chemistry and Metallurgy Research Building Replacement project. This project and several others are essential to the expanded mission that DOE envisions for LANL. More needs to be done to strengthen the federal oversight for the other projects essential to this expanded mission.

Continued Operation of the Chemistry and Metallurgy Research Facility. In letters dated October 23, 2007, and May 16, 2008, the Board questioned DOE's decision to operate the 55-year-old Chemistry and Metallurgy Research facility an estimated six years past the previously planned shutdown date of 2010. Continued operation of this facility in its current condition poses risks to workers and the public that have not been comprehensively evaluated since 1998. Given the age, material condition, nuclear material inventory, and seismic fragility of the facility, the Board encouraged DOE to assess these risks promptly and evaluate alternative means of accomplishing programmatic requirements. In response, DOE has committed to provide a safety rationale for continuing operations to the Board by October 2008.

Integrated Nuclear Planning. The Board identified that DOE had not demonstrated formal mechanisms to ensure that design requirements and interfaces for pit manufacturing at LANL were appropriately managed and controlled across the suite of projects that contribute to the future plutonium processing infrastructure. In response, DOE has developed an Integrated Nuclear Planning process to improve coordination among its projects as national security mission requirements are refined. While this process is immature, it should help ensure better integration of the projects and facilities that provide the required support infrastructure, with benefits for both safety and program success.

Transuranic Waste Operations at LANL. In a letter dated January 18, 2007, the Board urged NNSA to promptly develop a viable pathway for shipping high-activity transuranic waste drums to the Waste Isolation Pilot Plant for disposal. Postulated accident scenarios involving these drums predict high consequences because of their radiological loading, the proximity of the storage area to the site boundary, and the lack of robust engineered controls. In response, DOE has bolstered waste disposition work at LANL by facility infrastructure upgrades, new safety basis documents, and training and qualification of operators. By April 2008, NNSA had remediated all of the high-activity drums available for processing. Preparations are underway for venting operations on the remaining drums to allow processing and disposal.

Nuclear Criticality Safety at LANL. The Board has provided safety oversight of the laboratory's attempt to develop a standards-based nuclear criticality safety program. During 2007, the Board assessed operations in the Plutonium Facility's vault for special nuclear materials and issued a letter on September 10, 2007, expressing concern over the laboratory's Materials Accountability and Safeguards System software and the criticality safety documentation for the vault. Subsequent to these questions, the laboratory determined the adequacy of some criticality safety evaluations to be in doubt. As a result, fissile material operations were paused until limits were reviewed and confirmed to be defensible.

LANL Plutonium Facility Confinement Ventilation. The decade-old safety basis for the Plutonium Facility credits a passive confinement strategy instead of active confinement ventilation as a safety-class control to protect the public from postulated accidents. As part of DOE's implementation plan for Recommendation 2004-2, an evaluation of the facility's confinement strategy was completed in parallel with a separate effort to develop a new safety basis for the facility. Unfortunately, the proposed safety basis upgrade continues to rely on a passive confinement strategy. DOE is currently evaluating a list of upgrades that would ultimately bring portions of the ventilation system up to safety-class status.

Documented Safety Analysis for the LANL Plutonium Facility. On May 30, 2008, the Board issued a letter identifying concerns regarding the lack of pedigree for software used by LANL to develop safety basis documents at the Plutonium Facility. This issue was the result of a site-wide failure to ensure compliance with software quality provisions of 10 CFR 830 Subpart A and DOE Order 414.1C, *Quality Assurance*. LANL responded quickly to this deficiency and revised internal procedures to apply appropriate quality assurance measures to such software.

Transition of Contract Management at LLNL. On October 1, 2007, Lawrence Livermore National Security assumed management responsibility for operations at LLNL. The Board evaluated the nuclear and radiological safety-related directives and standards contained in the new contract and the organizational restructuring of the nuclear facilities and found no issues. In particular, DOE Standard 1098, *Radiological Control Standard*, absent from the previous contract, is contained in the current contract.

Updated Documented Safety Analysis (DSA) for the Plutonium Facility at LLNL. The Board reviewed the recently submitted first annual update to the DSA for the Plutonium Facility at LLNL. The first annual update for the Plutonium Facility was delayed one year to complete implementation of the DSA approved in April 2006. The Board found the updated DSA was an improvement from the previously implemented DSA.

Work Planning and Control at LLNL. As part of the implementation plan for the Board's Recommendation 2004-1, *Oversight of Complex, High-Hazards Operations*, DOE promulgated a document in 2006 that provided the attributes and best practices of a successful work planning and control process. In a recent review, the Board noted that the LLNL contractor and the Livermore Site Office had little knowledge of the DOE attributes and best practices document. The Board also noted deficiencies with the work planning and control process and ongoing efforts at LLNL to improve and institutionalize the process across the site. The Board encouraged the current efforts to improve and standardize the process.

Recommendation 2005-1. The Board issued Recommendation 2005-1, *Nuclear Material Packaging*, to increase protection for workers involved in the storage and handling of nuclear materials. In 2007, the Board worked to ensure that DOE developed a technically justified packaging manual as part of the recommendation's implementation. In March 2008, after making improvements suggested by the Board, DOE issued DOE Manual 441.1-1, *Nuclear Material Packaging Manual*. The DOE sites are currently developing repackaging schedules in support of sending the final complex-wide implementation schedule to the Board.

Performance Goal 1	**Nuclear Weapon Operations.** DOE operations that directly support the nuclear stockpile and defense nuclear research are conducted in a manner that ensures adequate protection of health and safety of the workers and the public.

FY 2007 Performance Accomplishments

Nuclear Explosive Safety. In response to a commitment made to the Board in 2005, DOE conducted a comprehensive "Top-Down Review" of its nuclear explosive safety directives. On November 2, 2006, DOE issued a corrective action plan to implement selected recommendations from the Top-Down Review. Since that time, many of these commitments have been completed; execution will continue in FY 2008.

Quality of Safety-Related Information for Pantex. The Implementation Plan for Recommendation 98-2, *Safety Management at the Pantex Plant*, addresses the need for DOE to issue further guidance on its expectations for the evaluation and documentation of weapon response to potential accident environments and stimuli. The Board issued letters on December 15, 2006, and May 10, 2007, requesting DOE's expectations for the review, approval, and implementation of the expert elicitation, expert judgment, and peer review processes that are key to improving the quality and consistency of safety-related information provided to Pantex by the design agencies. In response to the Board's letters, DOE held a workshop on July 16, 2007, to clarify its expectation that the design agencies develop these processes by the end of FY 2007. DOE is in the process of developing criteria for review and approval of these processes.

Conduct of Operations at Pantex. The Board issued a letter in May 2005 identifying deficiencies in the conduct of nuclear explosive operations at Pantex. In a March 2006 letter, the Board re-emphasized the importance of a consistently high degree of formality in the conduct of nuclear explosive operations. After a follow-up review in FY 2007, the Board noted slow but continued improvement. However, the Board observed that staffing levels for the personnel responsible for the oversight of nuclear explosive operations had dropped dramatically. The Board also observed a lack of consistency in the formality of operations. Since the review, the operating contractor has increased its oversight personnel and is continuing to seek personnel to increase its oversight staffing to an acceptable level.

Lightning Protection at Pantex. The Board issued a letter on March 30, 2007, identifying that work remains to adequately address the hazards posed by the indirect effects of a lightning strike on Pantex facilities. DOE has responded by forming the Nuclear Weapons Complex Lightning Committee to analyze these hazards.

Pantex Procedures. In a letter dated April 23, 2007, the Board provided recent examples of inadequacies in technical procedures and noted that improvements are needed in the processes for development, review, validation, and configuration management for procedures at Pantex. The Board requested that DOE identify the specific measures it plans to take to improve the quality of technical procedures at Pantex. In response, DOE is taking specific measures to improve the flowdown of safety-related requirements into procedures, the procedure validation process, and the level of detail in technical procedures.

Pantex Safety Basis. In a letter dated July 30, 2007, the Board identified several issues with the Pantex safety basis. Issues included the treatment of beyond design basis accidents, the level of detail in some technical safety requirements, and a systematic lack of timeliness in declaring potential inadequacies in the safety basis. The Board also noted in its letter that DOE has lost configuration control of its safety basis. DOE recognizes the loss of configuration control of its safety basis and has developed a project plan to remedy the problem. DOE is also addressing the other issues identified by the Board.

W76-1 Start-up Activities at Pantex. In a letter dated July 16, 2007, the Board expressed concern regarding DOE's willingness to deviate from DOE requirements and typical good practices in response to growing production demands. Specifically, the readiness activities for W76-1 operations could not be performed with the expected level of rigor in the time frame specified by DOE. The Board identified in its letter that both the Nuclear Explosive Safety Study and the contractor readiness assessment for W76-1 assembly operations were conducted without an approved safety basis in place. DOE has responded to the concerns raised in the Board's letter by ensuring that the contractor Readiness Assessment and the Nuclear Explosive Safety Study for upcoming W80 operations are conducted with an approved safety basis in place.

Electrostatic Discharge at Pantex. The Board evaluated efforts by DOE and the weapons design agencies to characterize potential electrostatic discharge effects during nuclear explosive operations and the response of sensitive components to them. To date, a generally conservative response to this threat has been maintained; however, the Board continues to evaluate whether additional measures may enhance both the understanding of the hazards and the best methods for controlling them.

Pantex Cell Gap Analysis. The Board evaluated calculations of leakage through gaps in cells used for nuclear explosive operations during postulated accident scenarios at the Pantex Plant. The Board determined that such leakage does not appear to be an issue for accident scenarios involving single-unit operations, but could present a concern for multi-unit operations involving certain systems in certain facilities. DOE will perform additional analyses to provide assurance that the evaluation guidelines will not be challenged for multi-unit operations.

Degradation of 9212 Complex at Y-12. The Board had previously evaluated DOE's ability to safely operate the 60-year-old 9212 Complex at Y-12. As a result, DOE submitted an analysis identifying facility improvements necessary to ensure safe operation until completion of the planned replacement facility, the Uranium Processing Facility. As major structural and process modifications to the 9212 Complex would be impractical, the Board advocated a regimen of increased vigilance and regular assessment of the physical condition of the 9212 Complex. In response, DOE is working to develop a detailed plan to annually assess the 9212 Complex.

Conduct of Operations at Y-12. The Board has noted improvement in conduct and formality of nuclear operations at Y-12 during recent years. However, following several operational errors and events, the Board urged DOE to consider action to achieve consistent, disciplined operations. DOE developed and began to implement a plan to address these issues.

Fire Protection at Y-12. In response to Board correspondence in 2002, DOE developed a ten-year comprehensive improvement plan for fire protection at Y-12. Significant improvements were made, but progress stalled during 2006 due to a reduction in funding. The Board queried DOE on its plans for completing the project. DOE has revised its plan and intends to complete the project in its nuclear facilities.

Conduct of Engineering at Y-12. In 2005, DOE discovered that a new vessel was not designed to preclude a nuclear criticality accident in a water intrusion scenario. DOE implemented a design change and planned an investigation. Later, the Board found that the investigation was not completed. DOE performed the investigation and developed corrective actions. The Board found that the corrective actions did not address the lack of an appropriate design review of the new installation. As a result, DOE is revising Y-12 engineering procedures to require appropriate design reviews of such new nuclear process installations or modifications.

Handling of Legacy Items at Y-12. The Board reviewed actions taken by Y-12 in response to a small fire during an operation to open and inspect a container with uranium metal items that had not been opened in more than 30 years. The Board found that Y-12 did not provide adequate restrictions and control on opening such legacy containers in air environments. In response, DOE developed additional operational controls to ensure adequate hazard analysis and review prior to opening legacy containers in an air environment.

Readiness to Dispose of a Damaged Nuclear Weapon. As a result of the Board's interactions and follow-up discussions in FY 2007, DOE stated that a revised safety analysis is being developed that will identify safety controls and upgrades appropriate for the scope of operations for the facility at NTS (G tunnel) that would be used in disposition of a damaged nuclear weapon or threat device. The Board expects the new analysis to be available for review in 2008.

Device Assembly Facility at NTS. The Board previously identified the need for a comprehensive assessment of safety systems and safety management programs at the Device Assembly Facility (DAF) in light of the new missions being undertaken there. In FY 2007, the Board evaluated the implementation of the safety basis and the conduct of readiness reviews for new operations in the facility. The Board determined that DOE had successfully implemented the assessments suggested by the Board and developed corrective actions for safety management programs and vital safety systems in DAF.

Concrete Cracking in DAF. The Board has identified that the extensive cracking in DAF may indicate poor construction practices that adversely affect the concrete's strength. In response, DOE began to develop plans in FY 2007 to assess the in-situ strength of the concrete.

LANL Chemistry and Metallurgy Research Facility Life Extension. The Chemistry and Metallurgy Research (CMR) facility suffers from age and known seismic vulnerabilities, which led DOE (a decade ago) to define 2010 as the facility's end of life. In fall 2006, the Board observed that DOE had diametrically opposed plans for CMR, which could pose safety concerns—plans were being made for reductions in engineering resources due to its approaching end of life, while at the same time, other plans relied on the facility to support increased programmatic missions, particularly pit manufacturing, until a replacement facility became available in approximately 2016. As a result of providing these observations to the DOE senior management, a formal life extension project has been initiated to determine the necessary steps to safely continue certain operations beyond 2010.

Pit Manufacturing at LANL. The Board evaluated the integration of safety-in-design with regard to various individual activities involving the installation of manufacturing equipment at the LANL Plutonium Facility. Ultimately, DOE intends to produce increased numbers of pits at LANL, and establish the capability to manufacture legacy pit types or, if authorized, a Reliable Replacement Warhead. The Board identified that DOE's project management efforts were narrowly focused on pit manufacturing equipment, and did not encompass the associated infrastructure and other support facilities required to safely execute an expanded pit manufacturing mission. In response, DOE is reinvigorating an Integrated Nuclear Planning effort to ensure safety is properly integrated into planning for the pit manufacturing project.

Nuclear Criticality Safety at LANL. The Board has followed closely the Criticality Safety Program Improvement Plan developed by LANL in response to the findings of an October 2005 DOE review that revealed non-compliances with applicable ANSI/ANS standards and DOE Orders. In a letter dated September 22, 2006, the Board observed that the Program Improvement Plan was not receiving appropriate attention and priority from DOE management. The Board questioned DOE on the need for compensatory measures until the program was brought into compliance and on how the management approach would be bolstered to ensure timely completion. In response, DOE initiated an independent team to review progress on the Program Improvement Plan, developed a performance incentive to encourage LANL accomplishment in this area, and assigned a full-time criticality safety engineer at the Los Alamos Site Office.

Transuranic Waste Operations at LANL. The Board urged DOE in a letter dated January 18, 2007, to expeditiously develop a viable disposition pathway for the large inventory of legacy transuranic waste at LANL, particularly for the containers with the highest radiological inventory. In response, DOE has reinvigorated waste disposition work at LANL, including accomplishing facility infrastructure upgrades, developing needed new safety bases, and training and qualifying operators to the associated new procedures.

Safety Improvements at LANL. The Board visited LANL in November 2006, and in a letter dated February 1, 2007, observed five key areas requiring underlying actions that would substantially improve the laboratory's safety posture. These key areas are strengthening federal safety oversight, improving safety bases and ensuring the efficacy of safety systems, eliminating known hazards, and increasing federal management of new projects. DOE subsequently made progress in some of these areas. For example, DOE detailed senior managers to the Los Alamos Site Office to fill critical oversight positions during the search for permanent staff, and completed actions to disposition some of the site's remaining inventory of legacy plutonium-238 residues.

Confinement Ventilation at the LANL Plutonium Facility. The safety basis for the LANL Plutonium Facility credits a passive confinement strategy instead of active confinement ventilation as a safety-class control to protect the public from postulated accidents. Under the Implementation Plan for the Board's Recommendation 2004-2, *Active Confinement Systems*, an evaluation of the facility's confinement strategy was completed this year in parallel with a separate effort to develop a new documented safety analysis for the facility. The Board assessed both efforts and observed that the draft documented safety analysis continued to rely on a safety-class passive confinement approach and did not incorporate the results of the facility analysis. As a result, DOE has developed a path forward that should improve the safety analysis and implementation of controls for the facility.

Nuclear Criticality Safety Program at LLNL. In an October 2006 letter to DOE, the Board noted the weak implementation of criticality safety requirements and the need for additional rigor in conduct of operations and in the verification of compliance of criticality limits at LLNL. The Board also noted a lack of quality assurance procedures for safety-related software systems that are relied upon to verify criticality and other safety limits. In response, LLNL management directed the implementation of improvements to the Nuclear Criticality Safety Program.

Radiography Facility at LLNL. The Board has been closely following operations involving special nuclear materials in the LLNL Radiography Facility and has noted weaknesses in the areas of material packaging, development of work permits, posting of radiological controls, and training. In response, LLNL management increased attention to these operations, which has resulted in observed improvements in work permit development, radiological postings, and discipline of operations.

Resumption of Programmatic Operations at LLNL. Following a standdown to address fundamental safety issues, limited operations in the LLNL Plutonium Facility were authorized to resume in FY 2006 using a formal process for achieving and verifying readiness. In April 2006, the Board observed LLNL's readiness assessment to remove the remaining compensatory measures and return to normal operations, and determined that operations could safely resume. The standup of the Plutonium Facility was completed in early FY 2007.

LLNL Legacy Item Disposition Project. The Board has been closely following efforts to address the unique hazards of a legacy item (referred to as Object 77) at LLNL and the unusual challenges to the facility and personnel associated with its safe disposition. The Board identified deficient safety controls, leading LLNL to develop specific administrative controls to safely disposition the item. In FY 2007, preparations to disposition the item included integrated dry runs as part of LLNL and DOE readiness assessments. In May 2007, the key phases of the project to disposition the item were safely completed, thus eliminating the unique hazards associated with it.

Critique Process at LLNL. In FY 2007, the Board evaluated the informal methods used at LLNL to gather information on safety-related events and identify follow up actions. The Board strongly urged the development of a more rigorous and formal process for critiquing such events. A critique procedure was developed in early FY 2007. In March 2007, a new Nuclear Material Technology Program Event Critiques procedure was employed, with observed weaknesses. Board evaluation of subsequent critiques has indicated that the formal process is improving and will significantly enhance safety at LLNL by providing a clearer understanding of events and the necessary follow up actions.

Configuration Management at LLNL. In a November 2004 letter, the Board identified the apparent lack of configuration management of vital safety systems at LLNL facilities. Subsequently, LLNL established procedures and processes to maintain an interim configuration management system and developed a resource-loaded schedule integrated with the documented safety analysis implementation schedule. A recent subsequent review by the Board identified a lack of quality in the interim system drawings. DOE has drafted a corrective action plan to address this plus numerous additional issues, including configuration management programs and supporting processes.

Safety Basis at Sandia National Laboratories, New Mexico. In late FY 2005, the Board identified fundamental weaknesses in the implementation of nuclear safety requirements and controls at a defense nuclear facility located at SNL. In 2007, SNL completed implementation of a Safety Basis Improvement Project to resolve the underlying safety-related deficiencies and implemented a Safety Basis Operations Schedule. The Board has noted continued progress during its reviews.

Integrated Safety Management at Sandia National Laboratories, New Mexico. In FY 2005, the Board identified multiple failures of the hazard analysis and work control process at SNL. In response, DOE developed a corrective action plan to ensure the associated weaknesses are corrected and that integrated safety management is fully implemented. Near-term corrective actions for defense nuclear facilities are now complete. Sandia corporate-level systems must be implemented to achieve site-wide ISM standards.

Tritium Extraction Facility. The Board identified concerns with the reliability of safety-related equipment for sustained operations at the Tritium Extraction Facility at the Savannah River Site. During readiness reviews for this new facility, the Board observed multiple failures relating to the operability of the tritium air monitors, target rod preparation module, ventilation system, electronic procedures, and fire alarm system. Due to the Board's concerns as well as the readiness review findings, the site operating contractor commissioned an independent assessment to address the equipment reliability issues.

Tritium Extraction Facility Conduct of Operations. The Board evaluated conduct of operations issues at the Savannah River Site's tritium facilities, and highlighted several issues relating to a wide range of tritium operations. The number and severity of the issues indicated a potential adverse trend in facility operations. In response, DOE included tritium operations in a recent independent assessment that will address causes and corrective actions for the observed issues.

Nuclear Material Packaging. In FY 2006, the Board identified errors in analysis and reasoning used in two principal deliverables of DOE's implementation plan for Recommendation 2005-1, *Nuclear Material Packaging*. The Board worked with DOE to improve the repackaging prioritization methodology and the requirements contained in draft DOE Manual 441.1-1, *Nuclear Material Packaging Manual*. As a result, on March 9, 2007, DOE released the draft Manual for comment into the Review and Comment System and forwarded it, along with the repackaging prioritization methodology, to the sites for development of plans to achieve compliance.

Performance Goal 1	**Nuclear Weapon Operations**. DOE operations that directly support the nuclear stockpile and defense nuclear research are conducted in a manner that ensures adequate protection of health and safety of the workers and the public.

FY 2006 Performance Accomplishments

Nuclear Explosive Safety Top Down Review. DOE has made significant improvements to the Nuclear Explosive Safety process in the past several years; however, because of continuing problems, the Board and DOE agreed in May 2004 that a Top-Down Review of the process was needed to harmonize the directives, eliminate conflicts and redundancy, determine whether the requirements were adequate, and elevate key requirements to a level in the directives system commensurate with their safety significance. The Board participated in this effort, and DOE briefed the Board on the results in January 2006. Forty-three issues had been developed and considered, and action was recommended on almost half of these. Implementation of some of the recommended corrective actions was initiated promptly; however, others have been on hold pending the completion of a DOE review of production throughput at Pantex.

Revised Nuclear Explosive Safety Directives. In response to the Board's observations, DOE has revised and updated key nuclear explosive safety directives, including DOE Order 452.1C, *Nuclear Explosive and Weapon Surety Program*; DOE Order 452.2C, *Safety of Nuclear Explosive Operations*; and DOE-STD-NA-3016-2006, *Hazard Analysis Reports for Nuclear Explosive Operations*. While the new version of DOE-STD-NA-3016 improves over the previous revision in certain areas, the Board does not consider the requirements contained in the standard to be sufficiently detailed and comprehensive, particularly regarding weapon response development, and is holding the associated commitment in the Recommendation 98-2 Implementation Plan open until issues with the standard are resolved.

Pantex Cell Gap Analysis. The Board evaluated calculations of leakage through cell gaps performed to better understand the consequences of potential accidents at the Pantex Plant. Based on these calculations, leakage through cell gaps does not appear to be an issue for single-unit operations. However, there is still a concern that accident consequences for multi-unit operations involving certain systems in certain facilities could challenge the evaluation guidelines. Additional calculations and testing may be needed to provide assurance that the evaluation guidelines will not be challenged for multi-unit operations.

Electrostatic Discharge (ESD). The Board evaluated efforts by the Pantex Plant contractor and the weapon design agencies to characterize ESD insult environments and the responses of sensitive components to them. Progress has been made in defining the environments and the hazards posed by them; however, the Board has identified the need for additional clarification with respect to furniture (e.g., tooling and equipment) ESD, capacitive coupling between the insulting objects and other nearby charged objects, the assumption of electrical isolation of tools within the established standoff boundary, and resonance conditions and effects.

Special Tooling Program at Pantex. In a letter dated December 15, 2004, the Board expressed concern that continuing weaknesses in the Special Tooling Program could have an adverse impact on the safety of nuclear explosive operations. In response, DOE conducted a comprehensive, independent review of tooling program deficiencies and committed to implement corrective actions to improve the tooling program. The Board reviewed the program in March 2006 and determined that it had significantly improved, thereby improving the safety and efficiency of nuclear explosive operations that rely on specially designed tools to eliminate or minimize hazards.

W56 Dismantlement at Pantex. The Board evaluated process development and execution of the W56 dismantlement campaign at Pantex. The Board urged DOE to ensure that laboratory expertise, both active and retired, was applied to resolve technical challenges that arose to help ensure the safe and successful completion of the dismantlement campaign. Dismantlement of all W56 war reserve units was safely completed in June 2006.

B61 and W87 Operations at Pantex. Recommendation 98-2, *Safety Management at the Pantex Plant*, recommended that DOE expedite development and implementation of re-engineered processes for nuclear explosive operations at Pantex so that the attendant safety improvements could be achieved sooner. In FY 2006, the Board evaluated the start-up of the Seamless Safety for the 21st Century (SS-21) processes for the B61 and W87 Disassembly & Inspection and Rebuild Programs. The enhanced processes utilize upgraded procedures, redesigned tooling, and fewer handling and lifting steps. These improvements make the operations significantly safer and more efficient than their predecessors.

Safety of Dismantlement Operations. The Board continued to evaluate DOE's plans to dismantle an older weapon system not protected by modern safety controls. The Board expressed concern to DOE regarding proposed disassembly activities at non-DOE facilities that did not have adequate safety programs and systems. DOE no longer plans to use such facilities; dismantlement operations are now planned for Pantex facilities.

Conduct of Operations at Pantex. In response to a Board letter issued in May 2005 identifying deficiencies in the conduct of nuclear explosive operations at Pantex, DOE initiated efforts to address the cause of the deficiencies and to develop both near- and long-term plans to improve the conduct of operations. After a follow-up review in FY06, the Board issued a letter to DOE in March 2006 re-emphasizing the importance of a consistently high degree of formality in the conduct of nuclear explosive operations, and favorably noting the extensive involvement of senior contractor management in developing and implementing improvements in conduct of operations at Pantex. As proposed improvements are implemented and the process matures, the Board expects to see continued improvements in the formality of nuclear explosive operations. The Board is continuing to evaluate improvements in the formality of work through daily operational oversight provided by its site representatives.

Pantex Multi-Unit Operations. The Board is evaluating the safety implications of the implementation of multi-unit nuclear explosive operations at Pantex, which are being pursued in support of an increasing operational tempo. In response to the Board's observations, Pantex is taking a more comprehensive approach to evaluating the implementation of multi-unit operations, including analyzing human factors considerations. In addition, the Board has urged Pantex to become more closely involved with studies being performed by the design agencies that will aid in evaluating the increase in risk associated with performing multi-unit operations.

Laboratory Support of Pantex Nuclear Explosive Operations. As a result of concerns over the continued erosion of technical competence and a need to re-emphasize the priority of work that directly supports nuclear safety, the Board issued Recommendation 2002-2, *Weapons Laboratory Support of the Defense Nuclear Complex*. In response, DOE established a single point of contact for each weapon system at each national laboratory, and a requirement at each site office to track and ensure closure of nuclear safety support requirements for weapon laboratories. These changes have enhanced the timely resolution of safety concerns in the nuclear weapon complex. The Board has now closed this recommendation.

Readiness to Dispose of a Damaged Nuclear Weapon. The Board has consistently highlighted to DOE the need to develop the programs and infrastructure at NTS necessary to safely dispose of a damaged nuclear weapon or improvised nuclear device. In FY 2006, the Board determined that DOE no longer had a clear plan for meeting this need. The Board requested that DOE explain the required state of facility readiness and its plans for safety improvements, because it did not appear the mission and hazards had changed. As a result of the Board's interactions, DOE has continued to make physical and procedural improvements at the NTS G-tunnel, provided training, and is reconsidering its plans to be prepared to safely dispose of a damaged nuclear weapon if needed.

Subcritical Experiments. The Board reviewed preparations for subcritical experiments at NTS, identifying inadequate nuclear safety management programs, inadequate mechanisms for verification of readiness, and inadequate safety bases. These items would also be relevant to nuclear weapons testing should such testing be resumed. In FY 2006, DOE made improvements that addressed these issues, including improvements in safety basis reviews, implementation of controls, and readiness reviews. As a result, subcritical experiments have a more complete documented safety analysis and thorough verification of readiness.

Lightning Protection at NTS. In 2003 and 2005, the Board noted deficiencies in lightning protection at NTS related to the protection of nuclear operations and personnel. In response, NTS implemented compensatory measures and began a study of the lightning protection needs at NTS. In FY 2006, a site-wide directive for the lightning protection program and lightning protection studies were completed. As a result, NTS now has a technical basis to identify appropriate controls for lightning protection for hazardous operations and has implemented a site-wide lightning protection program and controls.

Device Assembly Facility at NTS. In FY 2006, the Board evaluated the implementation of the safety basis for the Device Assembly Facility and the conduct of readiness reviews. As a result, DOE is developing plans to assess safety management programs and vital safety systems in DAF, has improved work planning and procedures, and has improved the implementation of controls (such as the fire protection system).

LANL Institutional Corrective Actions. The Board spent considerable effort, including a public meeting on March 22, 2006, reviewing LANL's institutional corrective action programs and ensure their continuity through the contract transition. Corrective actions focus on key areas including safety, quality assurance, software quality management, conduct of engineering, safety basis, conduct of operations, environmental risk management, and training. The Board has also sought to encourage DOE to ensure that adequate resources are provided for implementation of these corrective action plans in a timely manner.

Federal Oversight at LANL. In November 2005, the Board learned of DOE's plan to execute a 3-month "strategic pause" in oversight at LANL to re-engineer oversight policies and procedures in preparation for the transition to a new prime contractor. Approximately two-thirds of the site office's workforce were planned to be devoted to the re-engineering effort during the pause, leaving the remaining third to oversee laboratory operations. The Board objected to the concept of the pause and requested information on how DOE would maintain effective safety oversight for the significant defense nuclear activities pursued during that time period. DOE provided the requested information and proceeded with the pause, which evolved into a pilot project for a new concept in oversight that is heavily reliant upon self-oversight by the contractor. The Board is closely evaluating the development of the pilot project.

Confinement Ventilation at the LANL Plutonium Facility. The current safety basis for the LANL Plutonium Facility credits a passive confinement strategy (i.e., no active confinement ventilation) as a safety-class control to protect the public from postulated accidents. In response to issues raised by the Board, LANL analysts performed a comprehensive set of air-flow calculations to estimate potential releases under accident conditions and concluded that this strategy was inadequate. Compensatory measures were developed and implemented while further study on the confinement strategy was performed. Under the Implementation Plan for the Board's Recommendation 2004-2, *Active Confinement Systems*, this facility is now being assessed as a high priority facility with an accelerated schedule. The Board has continued to review and provide feedback on the draft methodology for leak path factor analysis.

Nuclear Criticality Safety Program at LANL. In October 2005, the Board observed DOE's review of the nuclear criticality safety program at LANL. The DOE review revealed several non-compliances with applicable ANSI/ANS standards and DOE Orders. Among the most serious deficiencies were that some operations had changed without revision to the criticality safety analysis, roles and responsibilities were ill-defined and implemented, and some fissile operations did not have documented criticality safety analyses. In response, LANL developed a criticality safety improvement plan, which included a thorough assessment of all on-going fissile material operations. The Board evaluated the execution of this improvement plan in late FY06 and found that adequate progress was not being made. This issue is currently being pursued.

Fire Protection at LANL. On May 15, 2006, the Board received DOE's response to issues previously identified by the Board regarding the need to define a multi-year strategy for timely resolution of all fire protection deficiencies and achievement of site-wide improvements at LANL. Issues that needed to be addressed included incomplete documentation and delays in the completion of inspections, tests, and maintenance; fire hazard analyses recommendations not implemented on a timely basis; no formal plan to address the Baseline Needs Assessment for fire and emergency services; no long-term contract for fire and emergency services with Los Alamos County; and fire alarm systems in several defense nuclear facilities still requiring upgrades. The Board reviewed this plan and determined the contractor's proposed activities adequately addressed the Board's concerns; however, questions remain unresolved regarding the ability of DOE's Los Alamos Site Office to fulfill its role in this area.

Incorporation of Safety into the Design of Research and Development at LANL. In November 2005, the Board reviewed LANL's requirements for designing research and development processes and apparatus. The Board reviewed procedures for performing hazard analyses, developing controls, identifying applicable engineering standards and practices, and applying safety-related project management practices, such as having distinct design phases and independent design reviews. Following the transfer of responsibility for management and operation of LANL to a new prime contractor, the approach of the new LANL management was reviewed. LANL stated that its intention that all significant programmatic and facility work at LANL undergo engineering and safety reviews during design and that each major project will have a designated chief engineer who will act as design authority. These initiatives represent a significant improvement compared to past practices at LANL.

Safety Basis at Sandia National Laboratories, New Mexico. In late FY 2005, the Board identified fundamental weaknesses in the implementation of nuclear safety requirements and controls at a defense nuclear facility located at SNL. At present, SNL is pursuing a Safety Basis Improvement Project to resolve the underlying safety-related deficiencies. Most tasks will be complete by the end of 2006, but some actions stretch out to the end of 2008. The SNL corporate-level safety basis group has hired several additional experienced safety basis staff members and augmented this staff with senior contractors who possess complex-wide experience. This has resulted in significant progress, with upgrades in facilities noted during recent reviews by the Board's staff.

Integrated Safety Management at Sandia National Laboratories, New Mexico. In an October 8, 2004 letter, the Board identified multiple failures of the hazard analysis and work control process at SNL. In response, DOE developed a corrective action plan to ensure the associated weaknesses are corrected and that integrated safety management is fully implemented. Near-term corrective actions for defense nuclear facilities are nearing completion, and longer term actions are in progress.

Safety Basis at Y-12. The Board reviewed a draft version of the Documented Safety Analysis for the Building 9212 Complex and identified weaknesses that resulted in improper downgrading of safety systems, including certain fire protection systems. In response to the Board's observations, key fire protection systems were upgraded to safety-class and design adequacy reviews were performed.

Seismic Deficiencies at Y-12. An evaluation by the Board of the Building 9212 Complex found that previously identified seismic deficiencies were not being adequately addressed and that a proposed replacement facility would not be ready to operate until late in the next decade. Based on these findings, the Board encouraged DOE to take steps to implement practical facility modifications in the near term and continue to reduce the quantity of at-risk nuclear material. As a result, DOE commenced evaluations of near-term upgrades and committed to perform a broad risk prioritization of upgrades needed to support operation of the Building 9212 Complex for the next 15 years.

Uranium Holdup at Y-12. The Board's staff reviewed two criticality safety issues related to uranium holdup in process equipment at Y-12. The first issue involved holdup in an air filter downstream from a uranium chip burner; the second involved holdup in a casting furnace vacuum system filter. Staff input and questions related to nondestructive assay procedures, criticality calculations, and filter cleanout procedures resulted in more rigorous treatment of the issues by DOE and its Y-12 contractor.

Tritium Extraction Facility. The Board continued to perform safety oversight of the Tritium Extraction Facility, which has completed construction and startup testing, and began readiness reviews in late FY06. The facility is now entering the final test phase, in which tritium will be extracted from irradiated tritium producing rods, processed through cleaning operations, and transferred to the another tritium facility at SRS. Safety improvements that were implemented based on Board observations include a seismic alert system, the addition of an oxygen monitor at the lowest elevation in the Remote Handling Building, and improvements to the battery room ventilation system. In addition, reviews of the Worker Protection Safety System suggested by the Board have been completed.

LLNL Plutonium Facility Safety Basis. The Board reviewed the revised Documented Safety Analysis (DSA) for the LLNL Plutonium Facility and determined that it adequately addressed deficiencies identified in the Board's letter of April 12, 2004. The Board was particularly pleased that LLNL has renewed its commitment to a control strategy that includes robust, safety-class active confinement ventilation. The Board identified several isolated weaknesses that warranted consideration in the preparation of future annual updates to the DSA.

Configuration Management at LLNL. In a November 2004 letter, the Board identified the apparent lack of configuration management of vital safety systems at LLNL facilities. During FY 2006, LLNL established procedures and processes to maintain an interim configuration management system. The Board reviewed this interim system and found it to be reasonably adequate to support operations while a more durable, institutionalized program is developed and implemented.

Resumption of Programmatic Operations at LLNL. On October 11, 2005, limited operations in the LLNL Plutonium Facility were authorized to resume using a process for achieving and verifying readiness found generally acceptable by the Board. In April 2006, the Board observed LLNL's readiness assessment to remove the remaining compensatory measures and return to normal operations, and determined that operations could safely resume. On May 23, 2006, DOE authorized LLNL to resume normal operations.

Request for Proposal for the LLNL Management and Operating Contract. The Board evaluated the draft and final Requests for Proposal (RFP) for the LLNL management and operating contract issued by DOE during FY06. The Board determined that DOE had applied lessons learned from the draft LANL RFP, and that there were no ill-advised limitations on DOE's ability to oversee the safety of operations at LLNL.

Nuclear Material Packaging. The Board reviewed two principal deliverables of DOE's implementation plan for Recommendation 2005-1, *Nuclear Material Packaging*: (1) a repackaging prioritization methodology, and (2) nuclear material packaging requirements based on technically justified criteria. The Board found that, although the basic approaches taken were sound, fundamental errors in analyses had substantially obviated the benefits of the contents of both documents. The Board identified these errors in analysis and reasoning in letters dated April 24, 2006, and May 1, 2006. DOE's responses, provided in letters dated June 8, 2006, and July 21, 2006, were not satisfactory to the Board. The Board is working with DOE to ensure that the commitments DOE has made to improve nuclear material packaging for protection of its workers are implemented.

6. PERFORMANCE GOAL 2: NUCLEAR MATERIAL PROCESSING AND STABILIZATION

The processing, stabilization, and disposition of DOE defense nuclear materials and facilities are performed in a manner that ensures adequate protection of the health and safety of the workers and the public.

OUTCOME: DOE will have acknowledged, acted upon, and/or resolved the health and safety issues raised by the Board. Follow-up technical evaluation of DOE's nuclear materials management and facility disposition activities will verify necessary improvements in safety, as DOE meets its commitments to the Board to stabilize and dispose of hazardous nuclear materials.

SUMMARY:

The Department of Energy continues to pursue acceleration of stabilization and cleanup work at facilities at many of its defense nuclear sites, in some cases in response to Recommendations and other formal correspondence from the Board. The level of effort of this work is increasing as a result of the American Recovery and Reinvestment Act of 2009. Examples of the most significant new and ongoing projects are summarized below:

Nuclear Material Stabilization—Five milestones remain open under the Implementation Plan for Recommendation 2000-1, *Prioritization for Stabilizing Nuclear Materials*: one at Hanford and four at Los Alamos National Laboratory (LANL). DOE intended to complete stabilization of all materials identified under Recommendation 2000-1 by December 2009, but DOE will not meet this schedule. DOE's commitment to establish a disposition plan and complete processing of unsheltered containers at LANL was not completed by its December 31, 2008, due date. DOE has not officially provided an update as to when this milestone will be completed, although plans for the Chemistry and Metallurgy Research building include processing these containers by 2013.

Nuclear Material Consolidation, Storage, and Disposition—DOE continues to store and manage many metric tons of excess nuclear materials that have been declared surplus to national security needs. These materials, which include plutonium, uranium, neptunium, and spent nuclear fuel, can pose significant hazards if not stored, shipped, and disposed of properly. The Board continues to carefully monitor the activities of DOE as it attempts to manage these materials and meet its commitments under Board Recommendations 2000-1 and 2005-1, *Nuclear Material Packaging*. The Board reviewed and commented on DOE's Draft Order 410.2, *Management of Nuclear Materials*. Implementation of this Order will be coordinated through DOE's new Office of Nuclear Materials Integration. The Board plans to review the implementation of this Order.

High-Level Waste (HLW) Retrieval and Processing—DOE continues to expand HLW retrieval activities, with the attendant hazards of extremely radioactive liquids and sludges, old systems and equipment, and conditions that are poorly characterized. Workers at the Hanford Site, Savannah River Site (SRS) and the Idaho Cleanup Project are continuing decades-long projects to retrieve and treat wastes from tanks that date as far back as the World War II-era Manhattan Project. Large new facilities needed to treat and dispose of the wastes are in various states of design and construction. The Board is performing close oversight of these waste retrieval operations, as well as the development, design, and operation of planned treatment facilities. The Board continues to work closely with DOE's tank expert panel as it plans and interprets corrosion testing to understand the factors affecting tank integrity. These activities will require a substantial share of the Board's resources for the indefinite future.

Hanford K-Basin Sludge Cleanup—The K West Basin at the Hanford site contains highly radioactive sludge that requires careful retrieval, stabilization, and safe interim storage. DOE had planned to complete removal of the sludge from the K West Basin by November 2009. However, several project management and engineering difficulties led DOE to return the project to the conceptual design phase. DOE plans to identify a new completion date as the project progresses through the critical decision process. During 2010, the Board will review the conceptual design for the sludge stabilization and packaging systems.

Transuranic (TRU) Waste Management—Several sites within the DOE defense nuclear complex store large quantities of contact-handled (lower activity) TRU wastes on concrete pads and in soil-covered trenches. DOE has been retrieving these wastes for shipment to the Waste Isolation Pilot Plant (WIPP) for disposal since 1999. DOE has completed shipping most of the lower activity TRU wastes from Oak Ridge National Laboratory (ORNL) and SRS to WIPP. What remains are drums and boxes of waste containing prohibited items and other hazardous materials that pose a greater risk to the workers and considerably slow the retrieval work. Current shipments to WIPP include TRU wastes from Idaho, Hanford, and LANL. The Board will continue to provide oversight for these hazardous operations.

In addition, DOE stores significant quantities of remote-handled (higher activity) TRU waste in temporary storage at several of these same sites. DOE began shipment of the first of this remote-handled TRU waste from the Idaho Cleanup Project to WIPP in early 2007. Subsequently, remote-handled TRU waste shipments have been made from ORNL, LANL, and SRS. Shipments from SRS are continuing. The Board plans close oversight of these activities.

American Recovery and Reinvestment Act—On February 17, 2009, Congress passed the American Recovery and Reinvestment Act of 2009. In addition to its annual budget, DOE's Office of Environmental Management received $6 billion through the ARRA to accelerate cleanup projects during the next two years. The Recovery Act projects range from relatively low-hazard work such as soil and groundwater remediation to the high-hazard work of decontaminating and decommissioning nuclear facilities. The Board is following closely DOE's efforts to plan and conduct work on these high-hazard projects.

Performance Goal 2	**Nuclear Material Processing and Stabilization.** The processing, stabilization, and disposition of DOE defense nuclear materials and facilities are performed in a manner that ensures adequate protection of the health and safety of the workers and the public.

FY 2011 Performance Objectives

The Board and its staff will conduct assessments of DOE's efforts to characterize, stabilize, process, and safely store plutonium, uranium, and other actinides, residues, spent fuel, and wastes from the nuclear weapons program to ensure that these efforts are performed safely and that the risks posed by these materials are addressed in a timely manner. These reviews will be conducted using the principles of Integrated Safety Management and will include assessments of the adequacy of current storage conditions, evaluations of proposed treatment and disposal technologies, evaluations of the design of new facilities and process lines, assessments of facility readiness to safely begin new operations (including implementation of 10 CFR 830, *Nuclear Safety Management*), the safety of ongoing operations, and the suitability of long-term storage and disposal facilities. Representative areas for review include:

- H-Canyon processing campaigns and life extension activities.
- Long-term storage of neptunium oxides at Idaho National Laboratory (INL) (Recommendation 2000-1).
- Complex-wide consolidation and disposition of special nuclear materials.
- Stabilization and disposal of plutonium-bearing residues at LANL (Recommendation 2000-1).
- Efforts to consolidate, store, and disposition spent nuclear fuel at Hanford, INL, and SRS.
- Preliminary design of systems to treat and store spent nuclear fuel sludge at the Hanford Site (Recommendation 2000-1).
- Removal and processing of salt waste from HLW tanks by the Interim Salt Disposition Project at SRS.
- Closure of HLW Tanks 5, 6, 18, and 19 at SRS.
- Design of the fluidized-bed steam reformer for processing the HLW from SRS Tank 48.
- HLW tank structural integrity at SRS and the Hanford Site and application of the results of DOE's corrosion testing program to corrosion chemistry controls.
- Operation of HLW retrieval and transfer systems at the Hanford tank farms.
- Operation of HLW retrieval and transfer systems at SRS tank farms.
- Conduct of operations and work planning at the Hanford Site.
- Design of supplemental processing and treatment of waste from Hanford tanks.
- Retrieval, characterization, and packaging of TRU waste at Hanford, LANL, ORNL, SRS, and the Idaho Cleanup Project.
- Design, acquisition and first use of new WIPP remote-handled TRU waste emplacement equipment.
- TRU waste disposal operations at WIPP.
- Operations in support of the Tank W-1A excavation and remediation efforts at ORNL.
- Deactivation and decommissioning of facilities throughout the DOE defense nuclear complex including accelerated and new activities funded by the Recovery Act (e.g., Building 235-F at SRS, the Plutonium Finishing Plant at Hanford, and remote-handled TRU waste treatment at the Idaho Cleanup Project).

Performance Goal 2	**Nuclear Material Processing and Stabilization.** The processing, stabilization, and disposition of DOE defense nuclear materials and facilities are performed in a manner that ensures adequate protection of the health and safety of the workers and the public.

FY 2010 Performance Objectives

The Board and its staff will conduct assessments of DOE's efforts to characterize, stabilize, process, and safely store plutonium, uranium, and other actinides, residues, spent fuel, and wastes from the nuclear weapons program to ensure that these efforts are performed safely and that the risks posed by these materials are addressed in a timely manner. These reviews will be conducted using the principles of Integrated Safety Management and will include assessments of the adequacy of current storage conditions, evaluations of proposed treatment and disposal technologies, evaluations of the design of new facilities and process lines, assessments of facility readiness to safely begin new operations (including implementation of 10 CFR 830, *Nuclear Safety Management*), the safety of ongoing operations, and the suitability of long-term storage and disposal facilities. Representative areas for review include:

- H-Canyon processing campaigns, change to irradiated fuel processing, life extension activities, and documented safety analysis upgrades and implementation.
- Long-term storage of neptunium oxides at INL (Recommendation 2000-1).
- Complex-wide consolidation and disposition of special nuclear materials.
- Stabilization and disposal of plutonium-bearing residues at LANL (Recommendation 2000-1).
- Efforts to consolidate, store, and disposition spent nuclear fuel at Hanford, INL, and SRS.
- Conceptual design of systems to treat and store spent nuclear fuel sludge at the Hanford Site (Recommendation 2000-1).
- Removal and processing of salt waste from HLW tanks by the Interim Salt Disposition Project at SRS.
- Closure of HLW Tanks 5, 6, 18, and 19 at SRS.
- Design of the fluidized-bed steam reformer for processing the HLW from SRS Tank 48.
- HLW tank structural integrity at SRS and the Hanford Site and application of the results of DOE's corrosion testing program to tank chemistry controls.
- Operation of HLW retrieval and transfer systems at the Hanford and SRS tank farms.
- Conduct of operations and work planning at the Hanford Site.
- Design of supplemental processing and treatment of waste from Hanford tanks.
- Retrieval, characterization, and packaging of TRU waste at Hanford, LANL, ORNL, SRS, and the Idaho Cleanup Project.
- Design, acquisition, and first use of new WIPP remote-handled TRU waste emplacement equipment.
- TRU waste disposal operations at WIPP.
- WIPP update of Documented Safety Analysis and associated Technical Safety Requirements.
- Design and construction of the Tank W-1A excavation and remediation efforts at ORNL.
- Startup of drum venting operations at the TRU Waste Processing Center at ORNL.
- Implementation of DOE Order 410.2, *Management of Nuclear Materials*.
- Deactivation and decommissioning of facilities throughout the DOE defense nuclear complex including accelerated and new activities funded by the Recovery Act (e.g., Building 235-F at SRS, the Plutonium Finishing Plant at Hanford, and remote-handled TRU waste treatment at the Idaho Cleanup Project).

Performance Goal 2	**Nuclear Material Processing and Stabilization.** The processing, stabilization, and disposition of DOE defense nuclear materials and facilities are performed in a manner that ensures adequate protection of the health and safety of the workers and the public.

FY 2009 Performance Accomplishments

Electrical Systems at the Plutonium Finishing Plant (PFP). In late 2008, the Board reviewed the PFP life extension program for electrical systems and assessed the condition of select safety-related electrical equipment and cables. Several deficiencies were noted. The Board is continuing to evaluate DOE's work to resolve the issues.

Effectiveness of Corrective Actions at Hanford Tank Farms. Following the spill of radioactive waste at Hanford's Tank Farms in July 2007, DOE completed several investigations and issued corresponding corrective action plans. The Board continued its review of the effectiveness of the corrective actions for conduct of operations, emergency management, safety oversight, and equipment maintenance. The Board provided additional feedback to DOE. DOE is working to resolve the Board's issues.

HLW Tank Integrity at Hanford Tank Farms. The Board encouraged DOE to continue laboratory and in-situ testing of corrosion mechanisms related to the HLW tanks. This effort is expected to lead to assurance that DOE's tanks can continue to perform for an anticipated 30 or more years. The Board reviewed the integrity of the double-shell HLW tanks, and evaluated DOE's structural and leak assessment of the older single-shell HLW tanks.

Safety Standards at Hanford Tank Farms. The Board reviewed the standards invoked in DOE's proposed contract for the new tank farm contractor and noted that several important safety standards were missing. In response to Board inquiries, DOE added these standards to the contract.

Hanford Sludge Retrieval and Disposition Project. The Board observed the contractor's alternatives analysis and the subsequent DOE external technical review of the conceptual design for sludge retrieval. The Board closely followed this project to ensure that DOE followed proper project management processes for a high-hazard nuclear operation.

American Recovery and Reinvestment Act. The Board began reviewing the management and work scope of the DOE activities funded by the Recovery Act. In response to the Board's inquires, DOE improved its Recovery Act guidance regarding safety and project management requirements.

HLW Tank Integrity Program at SRS. The Board reviewed the HLW tank integrity program at SRS with a continued focus on ultrasonic testing. In response to a Board letter to DOE regarding tank integrity, DOE issued a revised HLW Tank Inspection Plan and completed a more thorough ultrasonic test inspection of HLW Tank 29. The inspection results showed no obvious active pitting, but revealed many small pits that had not been noted before. These data may prompt further inspections.

Tank 48 Treatment Process at SRS. The Board closely followed DOE's efforts to design a process for treating wastes containing organic materials in HLW Tank 48. In response to a Board letter to DOE noting several project weaknesses, DOE took action to ensure compliance with the DOE Order on project management, and to meet its commitments to perform an evaluation of the confinement ventilation system for the project. In June 2009, DOE confirmed the fluidized bed steam reforming process as the preferred treatment process for Tank 48.

HLW Maintenance Program at SRS. The Board found that the contractor's Maintenance Implementation Plan had not been reviewed by DOE since February 2000, which was contrary to the DOE Order requirement that DOE review and approve the contractor's plan every two years. In response, DOE reviewed and approved the current plan and performed a comparison of the DOE Maintenance Program Guide with site maintenance procedures and began implementing corrective actions.

Tank Closure at SRS. The Board's staff observed readiness reviews for mechanical waste removal in Tanks 18 and 19, as well as waste removal operations. The Board identified weaknesses in the performance of independent verifications, which were corrected.

H-Canyon Electrical Systems. The Board reviewed the safety of electrical systems within the H-Canyon and supporting facilities at SRS. The Board noted several deficiencies and highlighted these in a letter to DOE. DOE took action to immediately correct some of the weaknesses, and put in place plans to correct the remaining deficiencies.

H-Canyon Life Extension. A previous Board review of aging issues at H-Canyon highlighted the need to perform more inspections of aging equipment. The Board's review of the initial approach identified several flaws. The Board suggested a number of improvements to the system, and DOE took action to make improvements. The new Integrated Facility Aging Management Program produced the desired results, and DOE plans to expand the program to review safety systems across SRS.

Fire Protection Systems at SRS. At SRS, the Board noted aging equipment in the site's fire protection program and questioned how the aging equipment was complying with National Fire Protection Association guidance. In response, DOE developed a replacement methodology for aging fire apparatus and submitted a baseline change proposal to purchase new ladder and pump trucks. When the Board questioned the efficacy of Mutual Aid Agreements with nearby fire departments, DOE developed new plans and procedures to reduce response times.

Radiation Protection Program at WIPP. The Board reviewed the radiation protection program and its implementation at WIPP. The Board identified that there was no formal process for performing the triennial audits required by federal regulations. DOE acknowledged and agreed to address the identified concerns.

TRU Waste Handling at WIPP. The Board continued oversight of the safety of TRU waste handling operations at WIPP. After a review of conduct of operations and overall safety culture, the Board communicated several deficiencies to DOE and its contractor. A full-time conduct of operations "champion" was hired and empowered to direct efforts towards correcting the identified deficiencies.

TRU Waste Operations at the Idaho Cleanup Project. The Board observed TRU waste retrieval and repackaging operations at the Idaho Cleanup Project and identified deficiencies in conduct of operations and operational safety. DOE responded by assigning a full time person to address needed improvements through an emphasis on work planning and control.

Performance Goal 2	**Nuclear Material Processing and Stabilization.** The processing, stabilization, and disposition of DOE defense nuclear materials and facilities are performed in a manner that ensures adequate protection of the health and safety of the workers and the public.

FY 2008 Performance Accomplishments

Nuclear Materials Stabilization and Storage at LANL. In response to the Board's Recommendation 2000-1, DOE completed the stabilization of all non-weapons grade plutonium at LANL. DOE plans to complete the four remaining commitments in the Implementation Plan for Recommendation 2000-1 by December 2009.

Uranium-233 Downblending at ORNL. The Board issued a Project Letter to DOE following the Critical Decision (CD)-2/3A approval for the Uranium-233 Downblending and Disposition Project. The letter identified several safety concerns for DOE to consider as the project progresses. DOE accepted these issues and is working to address all of them.

Hanford K-Basin Spent Fuel Disposition. The Board verified the safety of operations at the Hanford K-West Basin by observing the DOE Operational Readiness Review for the restart of fuel cleaning and packaging. This effort will package the small amounts of fuel remaining after the main fuel retrieval effort was completed in 2004.

Hanford Sludge Retrieval and Disposition Project. The Board reviewed the project management processes instituted following the return of the sludge project to the conceptual design phase. The Board noted problems with DOE's planned implementation of the project management requirements such as alternatives analysis and formal project reviews. DOE took corrective actions to implement the requirements.

Interim Salt Disposition Project at SRS. In response to the Board's Recommendation 2001-1, *SRS Waste Management,* DOE began operation of the Actinide Removal Process and Modular Caustic Side Solvent Extraction Unit to remove and process salt waste contained in high-level waste (HLW) storage tanks at SRS. The Board monitored the performance of the DOE and contractor readiness reviews prior to the start of radioactive operations and found them to be satisfactory.

HLW Storage in Tank 11 at SRS. The Board reviewed DOE's plans to store additional HLW in Tank 11 at SRS. This tank is considered a non-compliant tank due to its single-shell design. To ensure safe storage of the waste, DOE and the Board agreed to a set of stringent controls and compensatory measures to be in place prior to the transfer of waste into Tank 11.

Vital Safety Systems at SRS HLW Tank Farms. The Board conducted a review of selected safety systems at the SRS HLW tank farms. The Board found that the contractor's system engineer program did not fully meet the requirements of DOE Order 420.1B, *Facility Safety*, and that DOE had a shortage of safety system oversight engineers in the HLW tank farms. Based on the Board's review, DOE initiated a number of corrective actions to address these deficiencies.

HLW Tank Integrity Program at SRS. The Board reviewed the HLW tank integrity program at SRS, focusing on the ultrasonic testing of the HLW tanks. The Board found that the ultrasonic test plan did not require the re-examination of known pitting to evaluate its extent and growth rates. In addition, the Board found that the potential for pitting at the liquid-air interface in stagnant waste was not adequately addressed. The Board issued a letter to DOE requesting a briefing on actions to be taken to address these shortcomings.

Cleaning of HLW Tanks at SRS. DOE continues to remove waste from various HLW tanks at SRS in preparation for final closure of the tanks. The Board reviewed the chemical cleaning of HLW Tanks 5 and 6, and found that the cleaning was being safely performed. The Board also observed the contractor readiness assessment for the mechanical cleaning of HLW Tanks 18 and 19, and found that the contractor had prematurely declared readiness to operate.

Corrective Actions from Waste Spill at Hanford Tank Farms. Following the spill of radioactive wastes at Hanford's Tank Farms in July 2007, DOE completed several investigations and issued corresponding corrective action plans. The Board conducted reviews of the adequacy of the corrective actions and the implementation of those actions. The Board identified several concerns and made observations regarding conduct of operations, emergency management, oversight, and the issues management program. DOE is working to resolve the issues. The Board also monitored the spill clean-up efforts that were completed in July 2008.

Complex-Wide HLW Tank Integrity. The Board encouraged DOE to continue laboratory and in-situ testing of corrosion mechanisms related to the HLW tanks. This effort is expected to help ensure that DOE's tanks can continue to perform as designed for an anticipated 30 or more years. The Board continued to evaluate the overall structural and seismic integrity of the double-shell HLW tanks, and DOE continues to examine double-shell tanks for pitting and wall thinning.

Safety Systems at the Hanford Tank Farms. As part of evaluating the infrastructure and life extension of the HLW tanks at Hanford, the Board conducted several reviews that focused on certain vital safety systems. The Board reviewed the maintenance management program, the electrical distribution system, and the digital instrumentation and controls of safety-related systems at the Tank Farms. The Board noted several deficiencies and continued to work with DOE to resolve these issues.

Electrical Cables at the Plutonium Finishing Plant. The Board reviewed electrical safety at the Plutonium Finishing Plant at Hanford and found that DOE had not evaluated electrical cables for extended life. The Board pointed out the requirements for such an evaluation and suggested some example programs for DOE to follow.

Oak Ridge National Laboratory Shielded Transfer Tanks. The Board reviewed the storage conditions of highly radioactive wastes stored in five Shielded Transfer Tanks at Oak Ridge National Laboratory. The Board found the tanks to be sufficiently robust to contain any generated gases and to remain safely in storage for an extended period of time.

Transuranic (TRU) Waste Remediation at SRS. The Board provided oversight of TRU waste operations at SRS's Solid Waste Management Facility and F-Canyon, ensuring that the proper safety controls were in place for both planned operations and during the recovery from anomalous events. The Board also observed the venting of bulged TRU waste drums and provided feedback to the site management for reducing risk to workers during these operations. Site workers have subsequently vented all of the legacy TRU waste drums.

Retrieval, Characterization, and Packaging of TRU Waste. The Board verified the safety of TRU retrieval, characterization, and packaging activities for TRU waste drums and other containers at the Hanford Site and the Idaho Cleanup Project. The Board also assessed the interface between WIPP's Central Characterization Project and Idaho's operating contractors for the Accelerated Retrieval Project and the Advanced Mixed Waste Treatment Project, providing suggested improvements to DOE.

Remote-Handled TRU Waste at Oak Ridge National Laboratory. The Board verified the safety of characterization and packaging of remote-handled TRU waste at Oak Ridge National Laboratory. The verification included a review of the safety basis documents and observation of the DOE operational readiness review.

National TRU Waste Program. The Board assessed the overall progress of DOE efforts to eliminate the long-term safety hazard inherent in TRU waste storage at various sites across the complex. The Board evaluated the progress reported by the DOE TRU Waste Corporate Board and made suggestions where appropriate.

Performance Goal 2	**Nuclear Material Processing and Stabilization**. The processing, stabilization, and disposition of DOE defense nuclear materials and facilities are performed in a manner that ensures adequate protection of the health and safety of the workers and the public.

FY 2007 Performance Accomplishments

Waste Leak at Hanford Tank Farms. In August 2007, operators backflushing a high-level waste transfer pump in the Hanford tank farms caused a leak of high-level waste to the environment. The Board responded quickly by assigning one of the Board's Site Representatives to continuously follow all emergency response actions and recovery actions. The Board noted the potential for a common-cause failure in other areas of the Hanford site, and DOE took appropriate corrective action to prevent a similar event, as well as validate that other sites in the complex were not susceptible to a similar incident. DOE has chartered a formal Type A investigation team to review the incident.

Neptunium-237 at Savannah River Site. As part of its commitment under the Board's Recommendations 94-1 and 2000-1, DOE completed stabilization, packaging, and storage of pre-existing neptunium-237 solutions at SRS.

Nuclear Material Stabilization and Storage at LANL. In response to the Board's Recommendation 2000-1, contractors at LANL reached and exceeded several milestones of their Implementation Plan (IP) for the stabilization and storage of nuclear materials. LANL's contractor stabilized more than 50 percent of the site's weapons grade and non-weapons grade plutonium. Additionally, the contractor stabilized more than of 50 percent of 248 kg of materials designated for the Recovery Evaluation Process.

Uranium-233 Downblending at ORNL. The Board communicated weakness in the development of the Preliminary Documented Safety Analysis for the Uranium-233 Downblending Project. DOE has been receptive to these comments and plans to integrate them into future revisions of the Preliminary Documented Safety Analysis.

Hanford Sludge Retrieval and Disposition Project. At Hanford, DOE completed the retrieval and transfer of K-East basin sludge to K-West Basin holding tanks and the retrieval of K-West Basin sludges into the same holding tanks. The Board reviewed the Sludge Treatment Project at Hanford and noted that portions of the Preliminary Documented Safety Analysis were based on the conceptual and preliminary design instead of the final design. The Board also identified that the final design information for safety systems was not sufficiently mature to meet the required criteria. DOE halted design efforts, re-established the project at the conceptual design stage, and implemented formal project management processes.

Use of Divers at the Hanford K-Basins. At the Hanford K-Basins, DOE's contractor planned to use divers to assist in basin cleanout. The Board thoroughly reviewed these plans and discussed with DOE several concerns regarding work planning, work procedures, and safety controls. In response, DOE conducted additional mockups of the diving effort and determined that the divers would not be ready in time to assist in near-term work at the K-East Basin. The plan was shelved, but may be used in the future during the cleanup of the K-West Basin.

Tank 48 Disposition at SRS. In response to the Board's Recommendation 2001-1, DOE began planning and design for removal of organic wastes from Tank 48 at SRS. This will allow Tank 48 to be returned to high-level waste service, adding 1.3 million gallons of space. DOE conducted three independent reviews of several organic destruction methods and determined that fluidized-bed steam reforming is a leading treatment candidate. DOE plans to select a preferred alternative in the Fall of 2007 and return Tank 48 to service by 2013.

Integrated High-Level Waste Salt Processing at SRS. Also in response to Board Recommendation 2001-1, DOE completed construction and began startup testing of the Actinide Removal Process and the Modular Caustic Side Solvent Extraction Unit. DOE planned to integrate the two projects and initiate radiological operations in early fiscal year 2008. Startup of this project is an important milestone for the High-Level Waste System as it will remove salt waste from the tanks and serve as a pilot plant for the Salt Waste Processing Facility.

Hanford Tank Farms Fill Height Increase. DOE increased the fill height of Tank AP-108 in April 2007. Prior to the increase, the Board reviewed operator readiness, the safety basis, and tank integrity analysis, and expressed concerns about the structural and seismic methodologies used in the analyses. In response, DOE re-engaged outside experts to review the structural calculations, and discovered potential new safety concerns to be resolved prior to increasing the fill height of the next tank.

High Level Waste Tank Corrosion Control. The Board encouraged DOE to continue laboratory testing of corrosion mechanisms related to High Level Waste tanks. This effort will lead to assurances that DOE's High Level Waste tanks can continue to perform as designed for an anticipated 30 more years. DOE continues this testing at CC Technologies in Ohio. Based on the test results for Tank AN-107 at Hanford, DOE imposed a change in sludge chemistry limits for this tank. Tests for corrosion propensity of nitrate and nitrite chemistry in Tank AP-101 and carbonate-based chemistry in Tank AY-102 showed less aggressive corrosion than that in Tank AN-107. Hence, DOE plans to implement less-restrictive chemistry limits for Tanks AP-101 and AY-102.

Waste Storage in Tank 11 at SRS. In the Implementation Plan for Recommendation 2001-1, *High-Level Waste Management at the Savannah River Site*, DOE stated that no waste would be stored in old, non-compliant waste tanks. However, further delays in salt waste processing at SRS have exacerbated the tank space situation there. In response, DOE again proposed the use of an old tank, Tank 11, for waste storage. The Board reviewed this proposal and agreed that waste can be safely stored in Tank 11, given that DOE follows eleven specific safety precautions.

Decommissioning Activities at Hanford's Plutonium Finishing Plant. Due to delays in its ability to consolidate nuclear materials, decommissioning of the Plutonium Finishing Plant has been extended from 2009 to 2016. The Board reviewed the results of contractor life extension evaluations to determine if upgrades or replacements of vital safety systems are required during this extended decommissioning period. The Board agreed with planned upgrades to certain safety systems, but is continuing to evaluate the adequacy of aged cables and electrical equipment necessary to operate the vital safety systems.

Air Filters at Hanford's Plutonium Finishing Plant. In response to a positive Unreviewed Safety Question report on the adequacy of High Efficiency Particulate Air (HEPA) filter, the Board requested information regarding the test method used in conjunction with the HEPA filters. The Board found that the test method did not satisfy the requirements in the American Society of Mechanical Engineer's standards, but that the contractor's compensatory measures and planned facility modifications to meet the standard were adequate.

Retrieval of Buried Radioactive Waste at Hanford. DOE continues to remove radioactive and hazardous wastes from several old burial grounds at Hanford. Dispersal of radioactive materials is possible during remediation of these burial grounds. The Board questioned the adequacy of work planning and the level of controls called for in the safety analyses. In response, DOE is working to develop improved controls to protect the workers and the public.

Idaho Facility Startup Process. DOE's contractor at the Idaho Cleanup Project authorized the startup of remote-handled TRU waste drum venting after completing a contractor management self-assessment (MSA). The Board commented to DOE that an MSA reflects a level of rigor far less than that required for the startup of a Hazard Category 2 nuclear activity. In response, DOE performed an independent review of the Idaho startup processes and found that the site was not in compliance with their own procedures. DOE managers at Idaho committed to making changes to improve the startup readiness process.

TRU Waste Drum Retrieval and Characterization. The Board noted inconsistent, and in some cases unsafe, activities during the retrieval, characterization, and handling of TRU waste drums at several sites. In response, DOE's TRU Waste Corporate Board formed a working group to develop a consistent approach for handling TRU waste drums, and for controlling the hazards associated with the drums. This effort culminated in the issuance of DOE-STD-5506-2007, *Preparation of Safety Basis Documents for Transuranic (TRU) Waste Facilities*. The Board continued to follow the subsequent effort by TRU waste generator sites to come into conformance with the standard.

TRU Waste Shipment at SRS. DOE planned a "non-routine" shipment of TRU waste between facilities on-site at SRS. These planned shipments included large quantities of radioactive materials and presented a significant risk to workers. The Board reviewed the plans for this effort and found an inadequate safety analysis for the shipments and a lack of DOE oversight. After discussion between the Board and DOE, the DOE site manager directed the contractor to submit appropriate safety documents to DOE for approval prior to commencing shipment.

Performance Goal 2	**Nuclear Material Processing and Stabilization.** The processing, stabilization, and disposition of DOE defense nuclear materials and facilities are performed in a manner that ensures adequate protection of the health and safety of the workers and the public.

FY 2006 Performance Accomplishments

Hanford Sludge Retrieval and Disposition Project. The Board noted that the fabrication of sludge transfer equipment was not in accordance with the documented safety analysis (DSA) assumptions for the equipment and also noted the lack of a systematic engineering approach to verify the DSA assumptions. The project corrected the discrepancy and initiated a tracking mechanism for future design efforts. The Board also identified a problem with the integration of safety into the design for the sludge treatment project. DOE investigated the extent of the condition and suspended the procurement authorization pending DOE approval of the preliminary DSA.

High Level Waste (HLW) Tank Integrity—Vapor Space Corrosion. In response to a Board letter regarding corrosion in the vapor space of HLW tanks, DOE sponsored an expert panel at Hanford July 10-12, 2006, to evaluate the mechanisms of this type of corrosion. The expert panel identified several mechanisms by which corrosive species could concentrate on tank walls and plans to propose a series of laboratory experiments to evaluate these mechanisms. This should allow DOE to identify additional measures to protect the integrity of HLW tanks.

Tank AN-107 Chemistry Control at Hanford. The DSA for Hanford's HLW tanks requires the liquid waste to have a minimum pH of 13 to prevent corrosion. However, the liquid in the sludge of Tank AN-107 was at pH 11 and decreasing to pH 10. The Board questioned DOE's approval of a waiver to accept this lower pH without adequate technical justification. DOE responded by establishing a test program to determine optimum waste chemistry limits for maintaining tank integrity. The first phase of this program studied the effect of pH on corrosion. The results showed the pH could as be as low as 10 without significantly increasing the corrosion rate. To confirm the laboratory results, DOE plans to install a corrosion probe in tank AN-107 to continuously monitor corrosion.

Decommissioning Activities at Hanford's Plutonium Finishing Plant (PFP). Because of delays in DOE's ability to consolidate nuclear materials, decommissioning activities at PFP have slowed, and the date for completing decommissioning has been extended from 2009 to 2016. The Board continues to evaluate the transition of PFP from a near-term decommissioning mission to an extended layup period. Through a number of walk downs of the PFP facilities, the Board identified deficient areas (e.g., structure and fire protection piping deterioration) that will require additional attention from DOE if the safety systems and features are to remain operational during the extended layup period.

Soil Remediation at Hanford. The Board reviewed the safety basis and work planning for the 118-K Burial Ground remediation activity to determine if nuclear criticality concerns had been adequately addressed and if the DSA was compliant with guidance from DOE. The initial version of the DSA contained numerous criticality controls that did not comply with DOE criteria. The Board provided feedback to DOE, resulting in a revision to the DSA such that the DOE criteria were met and unnecessary criticality safety controls were removed.

Hanford Site Conduct of Operations. The Board routinely observed operations at the Hanford Site's Tank Farms, the K Basin Closure Project, and the Plutonium Finishing Plant and commented on deficiencies in conduct of operations. In response, DOE implemented improvement plans for conduct of operations. The Board has recently noted improvements in the safety of these operations.

Waste Drums Containing Plutonium-238 at Hanford. Since 2002, the Board has noted the potential hazards associated with the retrieval, handling, and disposition of 12 drums containing plutonium oxides with a high plutonium-238 content. The drums were located in a burial ground at the Hanford Site. In October 2005, DOE safely retrieved the 12 drums and placed them in interim safe storage.

Transuranic (TRU) Waste Drum Handling at Hanford. The Board reviewed hydrogen controls for vented TRU waste drums at Hanford and found the controls to be non-conservative. DOE was using a control level of 15% hydrogen, while the safe and commonly accepted control level is 4% (the lower flammability limit for hydrogen). After this concern was communicated, DOE reduced the control level for hydrogen concentration in vented drums.

This represented a significant improvement in safety margin for these operations.

Safe storage of neptunium oxides at Idaho National Laboratory (INL). Operators at the Material and Fuels Complex at the INL have received and stored neptunium oxide materials shipped from SRS. The Board reviewed the neptunium storage plans and provided feedback to DOE regarding the adequacy of the storage plans. As a result, DOE is working to develop a new surveillance and maintenance plan for this activity.

Decommissioning at the Fernald Closure Project. The Board reviewed and provided comments to DOE on the safety of final decommissioning and closure work at the site. In response, DOE made changes to improve safety during the demolition of the Silos waste treatment facilities and during placement of contaminated soil and debris in the On-Site Disposal Cells. DOE completed all site closure work in FY 2006.

Tank 48 Disposition at SRS. In response to Board Recommendation 2001-1, DOE submitted a letter report assessing alternatives for treatment of organic compounds and HLW contained in Tank 48. Also, in response to Board concerns, DOE made a new commitment in the Implementation Plan for Recommendation 2001-1 to return Tank 48 to waste processing service by 2010, utilizing organic destruction in a newly designed treatment facility.

Trapped Hydrogen in Process Systems. Based on information from the Waste Treatment Plant at Hanford, the SRS contractor identified all components (e.g., piping) in the Defense Waste Processing Facility (DWPF) that could be capable of trapping hydrogen, which could lead to pressure loads during an explosion. In response to Board observations, additional validation of the hydrogen explosion model was performed to ensure it could generate accurate predictions for DWPF piping configurations. Furthermore, to address Board concerns regarding hydrogen buildup in failed tank cooling coils, the contractor formed a team to incorporate consideration of this hazard into the work planning process, and issued a report listing equipment of concern, along with corresponding recommended controls.

Startup Readiness Reviews at SRS. The Board observed the readiness review performed by the contractor for the retrieval of waste from an older-style HLW tank, using a new mixer pump and equipment, and found that the rigor and scope of the readiness review was inadequate. In response, DOE required the contractor to perform additional reviews to demonstrate readiness to begin waste retrieval operations. Furthermore, the procedure for performing readiness assessments was significantly revised to incorporate lessons learned and good practices. Observations from the Board's extensive oversight of readiness reviews during the year resulted in a number of weaknesses being corrected and subsequently, a noticeable improvement in the planning, conduct, and thoroughness of contractor readiness reviews.

DOE Technical Oversight at SRS. On March 3, 2006, the Board issued a letter informing the DOE Savannah River Operations Office (DOE-SR) that it was not aggressively pursuing the new oversight requirements contained in DOE Order 226.1, *Implementation of Department of Energy Oversight Policy*, and that DOE-SR must fill a substantial gap if it is to fully implement the new oversight directives by the required date. Included in the letter was a 90-day reporting requirement to the Secretary of Energy requesting implementation plans for DOE Order 226.1 across the defense nuclear complex. The Board is continuing to provide extensive oversight of site office corrective actions to ensure they have the desired effect.

Conduct of Operations at SRS. The Board pointed out several deficiencies in the conduct of nuclear operations at SRS. These observations resulted in further DOE and contractor reviews of radiological protection, increased senior management watches, the addition of safety prerequisites to procedures, the performance of mockups, and improved critiques. Formal conduct of operations is now improving, leading to safer nuclear operations.

TRU Waste Drum Retrieval and Characterization. During visits to several DOE sites, the Board noted inconsistent, and in some cases unsafe, approaches from site to site during the retrieval, characterization, and handling of unvented and newly vented TRU waste drums. In response, DOE's TRU Waste Corporate Board is addressing the need for a consistent approach for dealing with unvented TRU drums, the hydrogen gas hazard, and other hazards associated with handling TRU waste. DOE's effort is expected to culminate in the issuance of a new DOE Standard for TRU waste handling activities.

Soil Sampling at Tank W-1A, Oak Ridge National Laboratory. The Board pointed out deficiencies in work planning for the sampling and characterization of soils near Tank W-1A at the Oak Ridge National Laboratory. Areas of weakness included hazard analyses, work instructions, and preparation of radiation work permits. In response, DOE revisited and completed thorough radiological work planning efforts that culminated in a safe and efficient sampling and characterization effort.

7. PERFORMANCE GOAL 3: NUCLEAR FACILITIES DESIGN AND INFRASTRUCTURE

New DOE defense nuclear facilities, and major modifications to existing facilities, are designed and constructed in a manner that ensures adequate protection of the health and safety of the workers and the public.

OUTCOME: DOE will have acknowledged, acted upon, and/or resolved the health and safety issues raised by the Board. Follow-up technical evaluation will verify necessary improvements in the design and construction of DOE's new nuclear facilities and major modifications to existing facilities. New nuclear facilities will meet acceptable safety standards.

SUMMARY:

For the next ten years, DOE is undertaking significant development of new capability to process legacy special nuclear materials, and is replacing aging facilities needed to maintain the nuclear weapons complex. Much of this activity is well underway for several major projects with construction of the Waste Treatment Plant, the Highly Enriched Uranium Materials Facility, the Salt Waste Processing Facility and the Waste Solidification Building; and design of the Chemistry and Metallurgy Research Replacement Project and Uranium Processing Facility. DOE design and construction activity in FY 2011 will continue to require the Board to expend significant resources in exercising its oversight in this area to ensure that new facilities will be adequate to perform their intended functions safely. The key performance objectives for FY 2011 in this strategic area of concentration are:

- Ensure adequate design and construction of the Waste Treatment Plant at the Hanford Site.
- Ensure adequate construction, startup testing, and development of Technical Safety Requirements for the Integrated Waste Treatment Unit to treat sodium-bearing waste at Idaho National Laboratory.
- Ensure adequate design of the Chemistry and Metallurgy Research Replacement Project at Los Alamos National Laboratory.
- Ensure adequate design of the Radioactive Liquid Waste Treatment Facility Upgrade Project to treat liquid waste at Los Alamos National Laboratory.
- Ensure adequate construction, startup testing, and development of Technical Safety Requirements for the Salt Waste Processing Facility for treatment of high-level waste liquids and salts at the Savannah River Site.

- Ensure the adequate design of the recently chartered Pit Disassembly and Conversion Project. This project is a consolidation of two separate efforts, the Pit Disassembly and Conversion Facility and the Plutonium Preparation Project, intended to dispose of plutonium-bearing materials at the Savannah River Site.

- Ensure adequate construction and startup testing of the Waste Solidification Building at the Savannah River Site.

- Ensure adequate design of the Uranium Processing Facility at the Y-12 National Security Complex.

Challenges for the Board's Safety Oversight:

Design and Construction of Nuclear Facilities. One of the Board's statutory responsibilities is the review of design and construction projects for DOE's defense nuclear facilities to ensure that adequate health and safety requirements are identified and implemented. These facilities must be designed and constructed in a way that will support safe and efficient operations for 20 to 50 years. This requires an exacting design process that will ensure appropriate safety controls are identified and properly implemented early in the process. Integrated Safety Management (ISM) provides the framework for this process. The Board's expectation is that the design and construction phases will identify the set of risks for each project and demonstrate clear and deliberate implementation of ISM principles and core functions.

The Board has become more proactive in identifying safety issues early in the design process to avoid significant cost and schedule impacts later in design and construction. The Board's involvement during the later detailed design stages has also increased as pressure to complete projects on cost and schedule has occurred. The Board's involvement is needed to ensure that the safety aspects of the design are not compromised as a means of cost or schedule recovery. The Board has expended considerable resources in evaluating proposed design changes to reduce the need for safety-related systems for the Waste Treatment Plant at Hanford. The Board intends to continue issuing a periodic report to Congress that identifies the Board's issues with new nuclear facilities. This report forms the basis for periodic discussions between the Board and DOE to help ensure DOE senior managers, project personnel, and the Board share a common understanding of the Board's issues and actions needed to resolve the issues.

The Board has noted many problems occurring in the DOE complex with construction practices and procurement of safety equipment that has led the Board to become more involved early in construction, as well as in ensuring adequate quality assurance for procurement and installation of the materials and equipment used in facility construction. Additionally, as facilities near completion, the Board is reviewing the testing of safety systems and the development of Technical Safety Requirements as facilities transition to operation, thereby ensuring the proper operation of safety systems. The Board expects such activities to be required for the foreseeable future.

The Board's reviews of the design and construction of major facilities and projects are resource intensive and time consuming but result in significant safety improvements. The Board's early involvement in the design effort requires multiple reviews of safety systems to assess whether they meet design expectations. The Board has demonstrated the value of rigorous technical oversight to ensure that safety is addressed early in the design process. The Board's reviews of construction and functional testing of safety equipment as it is installed have helped ensure adequate quality and performance of required safety systems.

The following list provides a brief description of major DOE projects currently underway, or planned for the near future, that will require significant Board resources to review. It provides an informal rating of three characteristics: Significance (overall importance of the facility to the mission of the complex); Complexity (relative assessment of the difficulty in successfully implementing the design); and Risk (assessment of programmatic risk and safety risk for the facility):

- **Hanford Site (Office of River Protection)** - Waste Treatment Plant: a project consisting of four major nuclear facilities to pretreat and vitrify waste from the Hanford high-level waste tank farms. HIGH SIGNIFICANCE, HIGH COMPLEXITY, HIGH RISK.

- **Hanford Site (Office of River Protection)** - Interim Pretreatment System: a project to provide pretreatment of low-level waste from the Hanford high-level waste tank farms. MODERATE SIGNIFICANCE, MODERATE COMPLEXITY, HIGH RISK.

- **Hanford Site (Office of River Protection)** - Tank Retrieval and Waste Feed Delivery System: long-term project to provide feed to the proposed Hanford Waste Treatment Plant. HIGH SIGNIFICANCE, MODERATE COMPLEXITY, MODERATE RISK.

- **Hanford Site (Richland Operations Office)** - Large Package and Remote Handled TRU and Mixed Waste Facility: a new facility or major facility modification to provide the capability to repackage transuranic, mixed transuranic, and low-level wastes for disposal. HIGH SIGNIFICANCE, LOW COMPLEXITY, MODERATE RISK.

- **Idaho National Laboratory** - Integrated Waste Treatment Unit: a new facility being planned to treat about one million gallons of sodium-bearing wastes. MODERATE SIGNIFICANCE, LOW COMPLEXITY, MODERATE RISK.

- **Los Alamos National Laboratory** - TA-54 Waste Management Mitigation: to mitigate fire-related vulnerabilities in TA-50 (radioactive liquid waste operations) and TA-54 (solid waste) operations. MODERATE SIGNIFICANCE, LOW COMPLEXITY, LOW RISK.

- **Los Alamos National Laboratory** - Radioactive Liquid Waste Treatment Facility Replacement Project: to replace the current aging and deteriorating facility with a modern facility. HIGH SIGNIFICANCE, MODERATE COMPLEXITY, MODERATE RISK.

- **Los Alamos National Laboratory** - Chemistry and Metallurgy Research Replacement Facility: to replace the current aging and deteriorating facility with a modern facility. HIGH SIGNIFICANCE, HIGH COMPLEXITY, HIGH RISK.

- **Nevada Test Site** - Criticality Experiments Facility: a facility within the Device Assembly Facility to which the criticality experiment and complex-wide criticality training capabilities from TA-18 at Los Alamos National Laboratory are being transferred. HIGH SIGNIFICANCE, HIGH COMPLEXITY, MODERATE RISK.

- **Oak Ridge National Laboratory** - Building 3019, Uranium-233 Downblending and Disposition Project: the project will give DOE the capability to process the inventory of uranium-233 stored in Building 3019 at Oak Ridge National Laboratory into a disposable form without safeguard requirements. MODERATE SIGNIFICANCE, LOW COMPLEXITY, MODERATE RISK.

- **Pantex Plant** - Weapon Surveillance Facility: new bay complex that will increase the Pantex Plant's existing capacity and provide new capabilities for the surveillance and requalification of weapons and weapon components. MODERATE SIGNIFICANCE, LOW COMPLEXITY, MODERATE RISK.

- **Savannah River Site** - Salt Waste Processing Facility: to be used to remove cesium, strontium, and actinides from high-level waste. The high-activity stream would go to the Defense Waste Processing Facility for vitrification in glass logs. The low-activity stream would go to the Saltstone Production Facility for disposal in grout. HIGH SIGNIFICANCE, HIGH COMPLEXITY, MODERATE RISK.

- **Savannah River Site** - Pit Disassembly and Conversion Project: to convert surplus weapons-grade plutonium metal into oxide for subsequent feed to the Mixed Oxide (MOX) Fuel Fabrication Facility. This project represents a combination of the Pit Disassembly and Conversion Facility and the Plutonium Preparation Project as one project in the K-Area Complex. HIGH SIGNIFICANCE, HIGH COMPLEXITY, HIGH RISK.

- **Savannah River Site** - Waste Solidification Building: to process waste streams generated in the Pit Disassembly and Conversion Facility and MOX Fuel Fabrication Facility. MODERATE SIGNIFICANCE, LOW COMPLEXITY, LOW RISK.

- **Y-12 National Security Complex** - Uranium Processing Facility: a new facility to replace aging facilities and consolidate current capability to process uranium materials at Y-12. HIGH SIGNIFICANCE, HIGH COMPLEXITY, MODERATE RISK.

- **Y-12 National Security Complex** - Highly Enriched Uranium Materials Facility: to provide long-term consolidated storage for all highly enriched uranium material forms at the Y-12 Site. HIGH SIGNIFICANCE, MODERATE COMPLEXITY, MODERATE RISK.

- **Y-12 National Security Complex** - Uranium Processing Facility: a new facility to replace aging facilities and consolidate current capability to process uranium materials at the Y-12 Site. HIGH SIGNIFICANCE, HIGH COMPLEXITY, MODERATE RISK.

Performance Goal 3	**Nuclear Facilities Design and Infrastructure**. New DOE defense nuclear facilities, and modifications to existing facilities, are designed and constructed in a manner that ensures adequate protection of the health and safety of the workers and the public.

FY 2011 Performance Objectives

The Board and its staff will continue reviews of DOE's implementation of integrated safety management (ISM) in design and construction activities. At least five reviews will be completed. In general, the reviews will evaluate the adequacy of geotechnical specifications and hazards analyses; the design of safety-related structures, systems, and components (SSCs); and the adequacy of SSC installation, startup, and operational readiness. Candidates for review include:

- Continue design and construction reviews, and initiate review of testing and turnover of safety systems for the Waste Treatment Plant at the Hanford Site.
- Review construction and preparations for startup of the Integrated Waste Treatment Unit at Idaho National Laboratory.
- Review the final design of the Chemistry and Metallurgy Research Replacement facility at Los Alamos National Laboratory.
- Review the construction of the Radioactive Liquid Waste Treatment Facility Replacement Project at Los Alamos National Laboratory.
- Review the design of the Pit Disassembly and Conversion Project at Savannah River Site.
- Review the design of the Plutonium Preparation Project at Savannah River Site.
- Review construction and development of Technical Safety Requirements for the Salt Waste Processing Facility at Savannah River Site.
- Review construction of the Waste Solidification Building at Savannah River Site.
- Review startup activities for modification to Building 3019 at Oak Ridge National Laboratory in preparation for processing of uranium-233.
- Complete review of the preliminary design of the Uranium Processing Facility at the Y-12 National Security Complex.

As a result of these reviews, DOE will have acknowledged, acted upon, and/or resolved the health and safety issues raised by the Board. Follow-up technical evaluation will verify necessary safety improvement in the design and construction of DOE's new nuclear facilities and major modification to existing facilities. New nuclear facilities will meet acceptable safety standards.

Performance Goal 3	**Nuclear Facilities Design and Infrastructure.** New DOE defense nuclear facilities, and modifications to existing facilities, are designed and constructed in a manner that ensures adequate protection of the health and safety of the workers and the public.

FY 2010 Performance Objectives

The Board and its staff will continue reviews of DOE's implementation of integrated safety management (ISM) in design and construction activities. At least five reviews will be completed. In general, the reviews will evaluate the adequacy of geotechnical specifications and hazards analyses; the design of safety-related structures, systems and components (SSC); and the adequacy of SSC installation, startup, and operational readiness. The Board will also review proposed changes in the safety control strategy as facilities are constructed. Candidates for review include:

- Continue design and construction reviews of the Waste Treatment Plant at the Hanford Site.
- Review construction and preparations for startup of the Integrated Waste Treatment Unit at Idaho National Laboratory.
- Review the enhanced preliminary design and final design of the Chemistry and Metallurgy Research Replacement facility at Los Alamos National Laboratory.
- Review the final design of the Radioactive Liquid Waste Treatment Facility Replacement Project at Los Alamos National Laboratory.
- Continue construction operational reviews of the Criticality Experiments Facility at the Device Assembly Facility at Nevada Test Site.
- Review the design of the Pit Disassembly and Conversion Project at Savannah River Site.
- Review the preliminary design of the Plutonium Preparation Project at Savannah River Site.
- Review construction of the Waste Solidification Building at Savannah River Site.
- Review construction and development of Technical Safety Requirements for the Salt Waste Processing Facility at Savannah River Site.
- Review the final design, construction, and preliminary startup activities for modifications to Building 3019 at Oak Ridge National Laboratory in preparation for processing of uranium-233.
- Continue review of preparations for operation of the Highly Enriched Uranium Materials Facility at the Y-12 National Security Complex.
- Complete review of the preliminary design of the Uranium Processing Facility at the Y-12 National Security Complex. Review the final design supporting site preparation work and long-lead procurement of equipment.
- Continue to review the quality improvements in the manufacture and qualification testing of safety-related HEPA filters.

As a result of these reviews, DOE will have acknowledged, acted upon, and/or resolved the health and safety issues raised by the Board. Follow-up technical evaluation will verify necessary safety improvement in the design and construction of DOE's new nuclear facilities and major modification to existing facilities. New nuclear facility designs will meet acceptable safety standards.

Performance Goal 3	**Nuclear Facilities Design and Infrastructure**. New DOE defense nuclear facilities, and modifications to existing facilities, are designed and constructed in a manner that ensures adequate protection of the health and safety of the workers and the public.

FY 2009 Performance Accomplishments

Congressional Mandate: Chemistry and Metallurgy Research Replacement Facility at Los Alamos National Laboratory. Pursuant to the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, the Board has conducted extensive reviews of the preliminary design of the CMRR Nuclear Facility as part of certifying that design concerns reported by the Board have been resolved. During the past year considerable resources have been dedicated to the CMRR certification review. The Board identified seven topical areas for the certification review, which were the five open Board concerns identified in its quarterly reports to Congress plus two additional areas the Board considered important for the CMRR design process. The Board developed a systematic approach to completing the certification review, identifying concerns with NNSA's resolution of the topic area, and formally transmitting these concerns to NNSA for resolution. Based on NNSA responses and commitments each of these concerns were resolved. On September 4, 2009, the board met the Congressional mandate by issuing *Chemistry and Metallurgy Research Replacement Facility Project, Los Alamos National Laboratory, Certification Review, Report to Congressional Defense Committees*. NNSA has committed to implement detailed designs consistent with specific design requirements to which NNSA had agreed as part of the certification process. The Board intends to review additional design material as it becomes available, and to review the final design and Documented Safety Analysis once the CMRR project is given approval to proceed to final design.

Safety-in-Design: With significant Board involvement, DOE developed a change to DOE Order 413.3A, *Program and Project Management for the Acquisition of Capital Assets*, developed sixteen guidance documents to implement this order, and developed a proposed change to DOE Order 420.1B, *Facility Safety*, incorporating changes required to address safety-in-design issues. The Board reviewed and commented on these orders and guides.

Waste Treatment Plant (WTP) at the Hanford Site. The Board has continued its review of the design and construction of important-to-safety structures, systems, and components in the Waste Treatment Plant facilities. The Board's activities primarily consisted of evaluating the resolution of previously identified issues. Specifically:

- Following resolution of Board comments, the final summary structural reports for the Pretreatment and High Level Waste Facilities have been prepared. DOE is continuing to work on the final structural design for these facilities. The Board expects that DOE will satisfactorily complete the structural design for the Pretreatment and High Level Waste Facilities and submit final summary structural reports that fully demonstrate that the WTP facilities meet all structural design requirements.

- The Board resolved issues described in its letter dated June 24, 2008, regarding concerns with the contractor's proposed implementation of DOE Standard 1066, *Fire Protection Design Criteria*. The current WTP design for the confinement ventilation systems ensures they perform as expected and are adequately protected from the effects of a fire.

- In a letter dated January 9, 2009, the Board resolved a long-standing issue with fire protection coating of structural steel in WTP facilities. The Board evaluated the adequacy of fire protection coatings to protect facilities containing radiological and chemical hazards, and reviewed the chemical hazards in each of the WTP facilities. The Board's review revealed that the fire coatings applied in each facility are adequate to prevent structural collapse in a design-basis fire.

- The Board initiated review of proposed changes to the safety strategy in the Pretreatment Facility that would have reduced the safety classification of all the safety systems in the facility. The Board did not find the bases for the proposed changes to be technically defensible. DOE has revised its strategy and is maintaining some safety-class controls but has not yet provided an adequate justification for the entire safety strategy. The Board is continuing its evaluation.

Integrated Waste Treatment Unit at Idaho National Laboratory. The Board continued its review of the design and construction of the Integrated Waste Treatment Unit. The Board's activities focused on evaluating the resolution of previously identified issues. In a safety-in-design project letter dated January 24, 2007, the Board had identified several issues that required resolution during final design. Based upon the root-cause analysis of an over-temperature event in the pilot plant's charcoal bed, DOE modified the design to prevent and mitigate the event. Analysis of the waste characterization was completed which verified the control strategy was adequate for the worst-case inventory. The safety-related instrumentation and control system design was revised to separate its safety-related functions and power supply from the rest of the network, and an appropriate design standard was adopted to ensure its reliability. These actions resolved all outstanding Board issues with the project.

New Solid Transuranic Waste Facility Project at Los Alamos National Laboratory (LANL). Following the Board's review in November 2008, NNSA decided to place construction plans on hold pending completion of an engineering needs assessment. The Board's review identified problems with the facility safety strategy, e.g. the use of personal protective equipment in lieu of engineered safeguards to provide worker protection, and poor integration of safety into the design. This project remains on hold.

Radioactive Liquid Waste Treatment Facility Replacement Project at LANL. The Board had previously raised concerns with the preliminary design of the facility, and concluded there was weak integration of the safety and design processes and weak federal oversight. The Board continued to pursue the resolution of these concerns. NNSA has made some progress in addressing some of the concerns. For example:

- Federal oversight has been enhanced through the addition of more personnel dedicated to the project. It is premature to assess whether this action will be effective in improving federal oversight.
- The design was changed to require stainless steel process equipment in lieu of plastic processing equipment to provide confinement for the liquid radioactive waste.

Criticality Experiments Facility and Device Assembly Facility at the Nevada Test Site. The criticality testing capability from TA-18 at LANL is being relocated to the Criticality Experiments Facility, which will be housed in the Device Assembly Facility at the Nevada Test Site. In a letter dated January 18, 2008, the Board highlighted the lack of progress in addressing ongoing operational problems and design deficiencies in the water supply for the safety-related fire suppression systems. DOE subsequently conducted several studies culminating in long-term line item requests to replace the water tank and lead-in pipes. In the interim, short-term projects are being pursued to modify sprinkler systems to correct design deficiencies, replace strainers, refurbish the existing water tank, and investigate using standalone fire suppression systems to supplement the existing deficient fire sprinkler systems. A July 29, 2009, Board letter encouraged NNSA to complete the planned work and not allow administrative compensatory measures (e.g., posting a fire watch) to serve as a long-term substitute for reliable engineered safety systems.

Device Assembly Facility Structure. In a letter dated August 16, 2006, the Board noted concerns with extensive cracking and water leaks in the Device Assembly Facility. After further Board urging, DOE conducted concrete strength testing to determine whether the facility structure can function as designed. The Board reviewed the test results and concluded that the concrete meets strength requirements. This long-standing concern is now considered closed.

Flammable Gas Generation at the Savannah River Site (SRS) Salt Waste Processing Facility. The Board previously identified the need to evaluate the impact of thermolysis on the generation of flammable gases in the process vessels. The flammable gas generation rate assumed in the project analysis was not technically defensible. As a result of the Board's review, DOE initiated testing to validate the assumptions made in the safety basis regarding generation of flammable gases. The Board reviewed the test results and concluded that the flammable gas generation rate assumed in the design analysis adequately bounded the rate determined in the experimental testing. This concern is now considered closed.

Structural Design of the SRS Salt Waste Processing Facility. The Board previously pointed out deficiencies in the analysis of the facility's ability to resist natural phenomena hazards. The Board's review of the structural design focused on the resolution of these deficiencies. The Board completed its review of the finite element analysis, structural design, and summary structural report for the facility, and determined that all concerns were resolved.

Final Design Review of the SRS Salt Waste Processing Facility. The Board reviewed the final design of the Salt Waste Processing Facility. As a result of this review, the Board issued a safety-in-design project letter concurrent with Critical Decision (CD)-3 that stated the safety strategy was sound and identified no significant safety issues that would preclude the start of construction. The Board identified several new issues that require resolution as the design process continues: (1) the structural analysis of the ability of process piping to withstand potential explosions (deflagrations or detonations) did not include several considerations, (2) flammable gas generation rates assumed by the facility did not consider all potential sources of heat input into process vessels, (3) the design of the confinement ventilation system does not implement all features or demonstrate the equivalency of the design to those features specified in Section 14 of DOE Standard 1066, *Fire Protection Design Criteria*, for the protection of the final stage of high-efficiency particulate air filters, (4) the design of the facility does not ensure that all operator actions deemed necessary in the Preliminary Documented Safety Analysis following a seismic event can be readily accomplished, and (5) additional actions beyond those identified in the Preliminary Documented Safety Analysis may be required. The project is in the process of revising its design and performing additional analyses to address these concerns.

Instrumentation and Control System for the SRS Salt Waste Processing Facility. The Board reviewed the design of the safety-related portion of the instrumentation and control system for the Salt Waste Processing Facility. This review identified that (1) the isolation of the safety-related portion of the distributed control system from other portions of the system requires better description and understanding by the project to ensure this functional requirement is met, (2) the safety integrity level specified in the Preliminary Documented Safety Analysis may not be achievable, and (3) the project lacked a clear plan to ensure adequate quality of the software to be used in the system. The project is taking action to address the concerns raised during this review.

Quality Assurance for SRS Salt Waste Processing Facility. The Board initiated reviews of the construction practices being utilized for the placement of concrete for the facility. The Board identified numerous quality problems with the control of the materials used to form the concrete that could have affected the as-placed concrete strength. The project took actions to correct the problems identified. The Board also initiated review of the procurement of safety-related equipment. The project is using a commercial grade dedication process for most procurements. The Board's review concluded that the methodology would not ensure the requisite quality of the safety-related components. The Board reviewed configuration management procedures for the project, and found weaknesses that resulted in discrepancies in design and procurement documentation. The project is in the process of rewriting procedures to correct its configuration management and procurement practices. The Board will continue to review this area.

Waste Solidification Building at SRS. The Board completed a final design review for the Waste Solidification Building, as documented in a letter dated January 12, 2009. The Board closed all final design issues related to structural design, red oil, and hydrogen deflagration/detonation prior to the project receiving CD 2/3 on December 10, 2008. The issues related to red oil and hydrogen deflagration/detonation will continue to be followed by the Board as safety controls are being finalized and implemented.

Uranium-233 Downblending at Oak Ridge National Laboratory. In a September 14, 2007, safety-in-design project letter, the Board identified safety-related concerns with the Uranium-233 Downblending and Disposition Project. The Board and DOE reached agreement on the path forward to address these issues. The Board initiated review of the Preliminary Documented Safety Analysis.

Startup Testing for the Highly Enriched Uranium Materials Facility at the Y-12 National Security Complex. The Board reviewed the startup testing of safety-related systems at the Highly Enriched Uranium Materials Facility. The Board concluded that the testing generally ensured that the safety-related systems would meet their functional requirements, although two gaps were noted. The Board also noted problems with the configuration management of the software used for the safety-related confinement ventilation system. The project is taking action to address the Board's concerns.

Quality Assurance for the Y-12 Highly Enriched Uranium Materials Facility. As the Highly Enriched Uranium Materials Facility was being constructed, the project identified quality assurance concerns with thousands of fasteners used in safety-class storage racks. The Board ensured that corrective actions that included sample testing of fasteners would provide a technically defensible rationale for acceptance of the fasteners. The project's initial plans were inadequate; additional actions identified by the Board were subsequently incorporated into the corrective action plan. The Board reviewed the testing results and concluded that the fasteners could be reasonably accepted as-is. This concern is considered closed. The Board is now encouraging DOE to provide detailed lessons learned to help preclude recurrence of this and other quality problems experienced by the project.

Uranium Processing Facility at the Y-12 National Security Complex. The Uranium Processing Facility project continued with its preliminary design phase in FY 2009. The Board has continued to conduct reviews of the project management, DOE oversight, geotechnical and structural design, development of safety systems design, design criteria development, and technology development. These reviews have served to resolve open items from the Board's August 9, 2007, safety-in-design project letter, have provided timely input to improve the project design inputs, and kept the Board up to date on revision to design strategies to prevent new issues from developing and support future reviews at the completion of preliminary design.

Filter Test Facility. Nuclear-grade high-efficiency particulate air (HEPA) filters used in essentially all new nuclear facilities are tested in the Filter Test Facility to ensure the filters meet performance requirements. In a letter dated March 17, 2008, the Board expressed concerns with degradation in quality of the nuclear filters as reported by the Filter Test Facility. In the past year, DOE has improved the acquisition and transmittal of data from testing to responsible procurement personnel, allowing formal corrective action processes to be initiated for testing failures. DOE is continuing to work with the contractors to address quality improvement and verification testing for HEPA filters purchased by DOE.

Performance Goal 3	**Nuclear Facilities Design and Infrastructure.** New DOE defense nuclear facilities, and modifications to existing facilities, are designed and constructed in a manner that ensures adequate protection of the health and safety of the workers and the public.

FY 2008 Performance Accomplishments

Safety-in-Design: As a result of the Board's three public meetings on safety-in-design, the DOE concluded new guidance was needed. With significant Board involvement, DOE developed and published DOE Standard 1189, *Integration of Safety into the Design Process*, in March 2008. This standard establishes the Department's expectations for identifying and resolving safety issues earlier in the design process and clarifies expectations associated with seismic design criteria, protection of co-located workers, and the significance of developing a safety design strategy early in the project life cycle.

The Board expects that as this standard is fully implemented, consistent with the strategy outlined in the Joint Report to Congress dated July 19, 2007, the important safety aspects of the design will be addressed earlier and if issues arise, they will be addressed and resolved earlier and without the significant cost or schedule impacts that have been historically observed.

Board Recommendation 2008-1, *Classification of Fire Protection Systems.* During reviews of the design of new nuclear facilities, it was apparent that consistent design criteria and operational requirements needed to be developed for safety-related fire protection systems. In this Recommendation, the Board identified the need for standards applicable to the design and operation of fire protection systems relied upon to protect the public and workers in defense nuclear facilities. DOE accepted this Recommendation and is the process of developing the needed criteria. As a compensatory measure, DOE will quickly develop interim design criteria for the type of fire suppression system most commonly in use.

Waste Treatment Plant (WTP) at the Hanford Site. The Board has continued its review of the design and construction of important-to-safety structures, systems, and components in the Waste Treatment Plant facilities. The Board's activities primarily consisted of evaluating the resolution of previously identified issues.

- Following resolution of issues related to seismic design criteria, DOE submitted for Board review technical reports supporting the final summary structural reports for the Pretreatment and High Level Waste Facilities. DOE is incorporating Board comments and continues to prepare final reports. DOE is continuing to work on the final structural design for these facilities. The Board expects that DOE will satisfactorily complete the structural design for the Pretreatment and High Level Waste Facilities and submit summary structural reports that fully demonstrate that the WTP facilities meet all structural design requirements.
- In a letter dated June 24, 2008, the Board noted concerns with the contractor's proposed implementation of DOE Standard 1066, *Fire Protection Design Criteria*, for protection of confinement ventilation systems from the effects of a fire. The exhaust high-efficiency particulate air filters in the ventilation systems provide a safety function and need to be protected from fires to ensure they perform as expected. DOE rejected the contractor's proposal and directed the contractor to resubmit the safety strategy for protecting the filters with adequate technical justification.
- The Board's June 24, 2008, letter noted that the issues with the contractor's implementation of DOE Standard 1066 provided an example of concerns with the project's Decision to Deviate process; specifically, the delay in resolution of safety concerns resulting in cost and schedule risks.

Demonstration Bulk Vitrification Facility at the Hanford Site. The Board had identified concerns with the confinement strategy being developed for the nuclear wastes that would be processed in the Demonstration Bulk Vitrification Facility at the Hanford Site. DOE and project personnel revised the confinement strategy, leading to improvements in the confinement design for the facility. In December 2007, project personnel presented technical analyses and discussions supporting the adequacy of this strategy. The Board is now satisfied that the project's strategy for confinement is adequate. In 2008, the project was put on hold and placed in a condition to support either restart or termination in FY 2010. The final design was completed and submitted to DOE in May 2008.

Waste Feed Delivery Transfer System at the Hanford Site. The Waste Feed Delivery transfer system will deliver high-level waste slurries from the Tank Farms to the Waste Treatment Plant. DOE performed analyses to determine the minimum design pressure rating of the system. In earlier reviews, the Board found that larger or denser particles could lead to plugging the transfer system. In response to Board concerns, DOE formed an expert panel on slurry transfer that evaluated the uncertainties and noted the need for an improved understanding of process variations, additional testing, and model revisions. DOE completed several reports that addressed the technical issues associated with the waste transfer. The Board believes its concerns have been adequately addressed and has no outstanding issues with this facility.

Integrated Waste Treatment Unit at Idaho National Laboratory. The Board identified issues with the structural design and design basis ground motion used for the facility. The Board reviewed the resolution of concerns with the structural design, particularly the development of the design basis ground motion, inputs into the soil-structure interaction analysis, and the use of mechanically anchored reinforcing bar, and concluded these issues had been satisfactorily addressed by DOE. The Board also reviewed the resolution of several concerns identified by the Board in a project letter issued at the beginning of 2007; progress has been made on several issues. DOE determined the root cause of an over-temperature event in the pilot plant's charcoal bed, and the subsequent design modifications to address the issue were assessed by the Board to be satisfactory. DOE is still addressing concerns with the design of a small portion of a safety system and validation of some assumptions made in the safety basis.

Radioactive Liquid Waste Treatment Facility Replacement Project at Los Alamos National Laboratory. The Board reviewed the preliminary design of the facility, and concluded the weak integration of the safety and design processes and weak federal oversight resulted in problems with safety basis development, material selection, determination of seismic design requirements, and configuration management. The Board continued to pursue the resolution of these concerns.

Chemistry and Metallurgy Research Replacement Facility at Los Alamos National Laboratory. The Board's review of the preliminary design and draft Preliminary Documented Safety Analysis for this facility identified several issues with the safety strategy and selection of safety controls. During the past year, progress has been made towards addressing these concerns. DOE has revised the safety strategy and safety documentation and plans to complete a Technical Independent Project Review before proceeding to the final design stage. The Board intends to review the final preliminary design and Preliminary Documented Safety Analysis and subsequently issue a project letter documenting any remaining issues that would need to be addressed during final design.

Criticality Experiments Facility and Device Assembly Facility at the Nevada Test Site. The criticality testing capability from TA-18 at Los Alamos National Laboratory is being relocated to the Criticality Experiments Facility, which will be housed in the Device Assembly Facility at the Nevada Test Site. In a letter dated August 16, 2006, the Board noted concerns with extensive cracking and water leaks in the Device Assembly Facility. After further Board urging, DOE has now conducted concrete strength testing and is evaluating the results to ensure the facility can perform its design function. In a letter dated January 18, 2008, the Board also highlighted the lack of progress in addressing ongoing operational problems and design deficiencies in the water supply to the safety-related fire suppression systems. DOE is now conducting several studies to culminate in a recommendation in FY 2009 for correcting the vulnerabilities with the water supply.

Salt Waste Processing Facility at the Savannah River Site. The Board reviewed the final design, structural calculations, and chemical processes for the facility. The review of the structural design focused on the resolution of previously identified deficiencies in the analysis of the facility's ability to resist natural phenomena hazards; the Board concluded that the structural design was adequate. The review of the chemical processes identified the need to evaluate the impact of thermolysis on the generation of flammable gases in the process vessels. As a result of the Board's review, the DOE initiated testing to validate the assumptions made in the safety basis regarding generation of flammable gases.

Waste Solidification Building at the Savannah River Site. In a letter dated June 25, 2008, the Board identified structural issues related to the roof design and the analytical approach to differential settlement. The Board has worked closely with the project to bring the issues identified in the letter to resolution. Additionally, the Board identified safety basis issues in a letter dated July 15, 2008, related to the application of DOE Standard 1189 to the design process and the analytical approach to evaluating hydrogen explosions in unvented pipes. The Board will continue to bring open issues to resolution and complete a final design review of the Critical Decision-2/3 design package prior to its approval.

Pit Disassembly and Conversion Facility at the Savannah River Site. Despite the slowdown in the Pit Disassembly and Conversion Facility project, the Board continued to review selected aspects of the safety of the design of the Pit Disassembly and Conversion Facility. As a result of the Board questioning the basis for fire loading assumptions in the Documented Safety Analysis for the facility, DOE performed fire testing of gloveboxes typical of those planned for the facility. The results showed that a potential fire could be much more vigorous than expected. The Board's staff provided a list of concerns to DOE regarding the assumptions on combustible loadings in the facility in the event of a facility fire. Further work must be performed by DOE and its contractor.

Highly Enriched Uranium Materials Facility at the Y-12 National Security Complex. In a letter dated February 6, 2008, the Board identified that the water supply for the safety-significant fire suppression system in the facility was not classified as safety-significant consistent with design basis requirements. This safety classification would help ensure that the water supply system was reliable through more rigorous design, construction, maintenance, and configuration control. Subsequently, DOE developed actions to increase the reliability of the fire protection water supply system for the facility. These actions include: a commitment to connect to the Uranium Processing Facility safety-significant water supply tanks when completed, to provide a safety-significant water supply pressure monitor, and to incorporate safety-related configuration controls to assure availability of a dedicated flow path in the current supply system. The Board believes these actions address the Board's concern with the water supply system and considers this item closed.

Highly Enriched Uranium Materials Facility at the Y-12 National Security Complex. As the Highly Enriched Uranium Materials Facility was being constructed, numerous quality problems with concrete placements became evident. The Board ensured that evaluations of defects were technically appropriate and reviewed the corrective actions proposed by the project. The Board believed additional actions were necessary. These actions were subsequently incorporated into the corrective action plan. These actions helped ensure that the building met its functional design requirements.

Uranium Processing Facility at the Y-12 National Security Complex. The project entered the preliminary design phase in FY 2008. The Board has also conducted reviews of the project management, DOE oversight, geotechnical and structural design, design criteria development, subcontract requirements, and technology development. These reviews have served to address other open items from the Board's August 9, 2007, project letter and have provided timely input to improve the project design inputs. In a letter dated January 17, 2008, the Board identified issues with the radiological dose consequence methodology to be used for the project. Discussions with DOE following this letter resulted in DOE instituting an acceptable methodology, closing a significant issue identified in the Board's project letter and Quarterly Report to Congress.

Filter Test Facility. Nuclear-grade high-efficiency particulate air (HEPA) filters are used in essentially all new nuclear facilities and are tested in the Filter Test Facility to ensure the filters meet performance requirements. In a letter dated March 17, 2008, the Board expressed concerns with degradation in quality of the nuclear filters as reported by the Filter Test Facility. At the time, little DOE action was underway to try to resolve these quality concerns. In response to the Board's letter, DOE developed a plan of action to: (1) investigate and correct the root cause of increased rejection rates of HEPA filters, (2) assess the potential degradation of critical quality manufacturing attributes that are not explicitly tested, and (3) reassess the adequacy of filters considered non-safety-related that are not tested at the facility. The Board considers these actions appropriate.

Performance Goal 3	**Nuclear Facilities Design and Infrastructure**. New DOE defense nuclear facilities, and modifications to existing facilities, are designed and constructed in a manner that ensures adequate protection of the health and safety of the workers and the public.

FY 2007 Performance Accomplishments

The Board and its staff continued providing technical evaluations of numerous design and construction projects throughout the DOE complex. These evaluations have led to DOE improving its design process, enhancing the design of new facilities, correcting construction deficiencies noted, as well as starting actions to correct identified issues.. Some of these actions are:

Safety-in-Design Public Meetings. The Board held its third public meeting delving into the DOE design process for new defense nuclear facilities. This public meeting, held on March 22, 2007, was a continuation of previous public meetings concerning the Board's interest in integrating safety earlier into the design process. During the Board's first two public meetings, the Board focused on the adequacy of DOE's existing directives related to the design of new facilities and further explored integration of safety in design and the progress being made in implementing DOE's safety-in-design initiatives. The Board's third public meeting considered early issue identification, communication of the Board's issues to DOE, issue management, and timely closure or resolution of the issues. DOE outlined many of the improvements that have occurred as a result of its safety-in-design initiatives. DOE noted that resolving safety issues early in the design process is central to mitigating cost and schedule risks. DOE also identified the need for strong and persistent federal oversight of new design and construction projects. The results of this meeting assisted the Board and DOE in evaluating potential improvements in the timeliness of issue resolution. The information gained was used by the Board and DOE to develop its Joint Report to Congress, *Improving the Identification and Resolution of Safety Issues During the Design and Construction of DOE Defense Nuclear Facilities*, issued in July 2007.

Overall, the public meetings have led to:

- new expectations for identifying and resolving safety issues earlier in the design process,
- revision of the existing DOE Order for project management,
- commitments to revise the existing DOE Manual for project management and develop a new standard to implement a more rigorous approach to safety-in-design, and
- action by DOE and the Board that will provide for more timely identification of and resolution of technical issues.

The Board expects that these actions, when fully implemented, should lead to significant improvements in the design of new defense nuclear facilities.

Quarterly Report(s) on the Status of Significant Unresolved Issues with the Department of Energy's Design and Construction Projects. In response to a Congressional reporting requirement, the Board initiated actions to prepare quarterly reports to identify and report the status of significant unresolved issues to the Congressional defense committees. During FY 2007, the Board has issued three of these reports. Per the language in the authorization committees' Conference Report, quarterly reporting was to continue until the Board and DOE issued their joint report on a process for more timely identification and resolution of technical differences between the two agencies. The first quarterly report was widely hailed by Congress as being very beneficial in assisting their understanding of the issues. Congress subsequently requested that these reports continue to be prepared and issued by the Board through FY 2008.

Development of Geotechnical Probabilistic Seismic Hazard Curves for the SRS, LANL and Idaho Sites. The Board continued its review of DOE efforts to update probabilistic seismic hazard curves at several DOE sites. An update of the probabilistic seismic hazard analysis and development of seismic design ground motions was completed for the LANL site. The LANL probabilistic seismic hazard analysis benefited from a rigorous participatory peer review as the work was being accomplished. Results from the LANL probabilistic seismic hazard analysis indicate that the seismic hazard at LANL is greater than previously believed. LANL is in the process of evaluating the safety impact of this increase in the seismic hazard for each nuclear facility that is operating. Design basis earthquake ground motions have increased by about 50% at LANL. The Board is following DOE efforts to update probabilistic seismic hazard curves at SRS and the Nevada Test Site.

Waste Treatment Plant at the Hanford Site. The Board has continued its review of the design and construction of important-to-safety structures, systems, and components in the Waste Treatment Plant facilities. The design and construction of these facilities slowed significantly during this past year while DOE addressed technical and project management issues. The Board's activities primarily consisted of considering the resolution of previously identified issues.

- DOE significantly underestimated the impact of hydrogen hazards on pipes and small process vessels and components. At the urging of the Board, DOE has continued to evaluate design solutions to address the issue. DOE has now developed new design criteria that ensure the design remains fully protective of the public's health and safety.
- The Board continued to follow the status of the design and installation of fire-protective coatings on structural steel. DOE has now developed an adequate technical basis to justify not coating some structural steel. The technical basis and criteria developed should ensure that a fire will not adversely impact the structural integrity of the facilities. The Board will evaluate the implementation of the criteria to help ensure protection of the public's health and safety.

Integrated Waste Treatment Unit at the Idaho National Laboratory. The Board reviewed the design of the Integrated Waste Treatment Unit. Engineering disciplines used include: process safety, seismic and structural, electrical, fire protection, mechanical equipment, confinement ventilation, and instrumentation and control. In addition, the Board reviewed the final preliminary documented safety analysis, as well as software quality assurance for both engineering design and safety analysis codes, and software supporting the control of the waste treatment process. DOE is currently resolving several concerns identified. The Board issued a project letter at the beginning of 2007 documenting several items that would need to be addressed during final design to ensure safety. As a result, DOE is taking several actions including additional waste sampling to ensure radionuclide inventories supporting the safety analysis are conservative, and completion and documentation of the investigative effort into the root cause of an over-temperature event in the DOE pilot plant's charcoal bed.

Special Nuclear Material Component Requalification Facility at the Pantex Plant. The Board completed its final reviews and observed the operational readiness review of the Special Nuclear Material Component Requalification Facility. The Board has no outstanding issues with this facility and it is now operational.

Chemistry and Metallurgy Research Replacement Facility at the Los Alamos National Laboratory. The Board's review of the Chemistry and Metallurgy Research Replacement Facility identified weaknesses in the overall approach for selecting safety-related systems, and the establishment of conservative design criteria for these safety-related systems. The draft Preliminary Documented Safety Analysis does not establish an adequate facility safety strategy. The early identification of safety-related structures, systems and components to prevent and mitigate potential accidents is vital to the successful design of the project. The Board continues to review the preliminary design and at the end of preliminary design will undertake a detailed review of the overall safety strategy, as well as, assess the adequacy of design criteria and the design of safety-related systems.

Criticality Experiments Facility at the Nevada Test Site. The criticality testing capability from TA-18 at Los Alamos National Laboratory is being relocated to the Criticality Experiments Facility, which will be housed in the Device Assembly Facility at the Nevada Test Site. The Board noted to DOE deficiencies in the seismic analysis and potential structural issues associated with extensive cracking and water leaks in the Device Assembly Facility. The Board informed DOE that further testing of the concrete strength was prudent to fully evaluate the impact of the extensive cracking. As a result, DOE has now agreed to conduct further testing of the concrete strength to adequately evaluate the impact of the extensive cracking and ensure the facility can perform its design function. The Board also reviewed the preliminary documented safety analysis for the Criticality Experiments Facility and developed a significant number of comments and concerns. Many of these concerns were shared by DOE's Safety Basis Review Team, but were not being acted upon. As a result of Board interaction, the preliminary documented safety analysis was revised and improved.

Salt Waste Processing Facility at the Savannah River Site. The Board's review of the preliminary design of the Salt Waste Processing Facility identified deficiencies in the analysis of the facility's structural design to resist natural phenomena hazards. Further, the supporting geotechnical engineering report had not been issued. Completion of an adequate preliminary design is expected to provide a technically sound basis for establishing the project performance baseline and for initiating the final design. The Board was concerned that a significant redesign of the facility might be warranted. DOE commissioned an independent review team of subject matter experts to validate the Board's issues. This independent review team agreed with the Board and made recommendations to improve the preliminary design of the structure, as well as the analysis for the facility in the geotechnical and structural areas. As a result, DOE has redesigned the facility to ensure it will adequately confine hazardous materials.

Container Surveillance and Storage Capability Project and K-Area Interim Surveillance Project at the Savannah River Site. These two projects provide Savannah River Site additional long-term plutonium storage capacity and the ability to perform surveillance, stabilization, and packaging, capabilities that are required by DOE's long-term plutonium packaging standard. The Board completed its final reviews of the K Area Interim Surveillance Project, focusing on the documented safety analysis, criticality safety evaluation, and vault integrity testing to support a gaseous fire suppression system. No significant issues were identified and the K Area Interim Surveillance Project is now operational. The Board continued reviews of the preliminary design of the Container Surveillance and Storage Capability project, focusing on hazards analysis, criticality safety, fire protection, and an evaluation of the ability of existing and new structures to meet seismic performance requirements. The Board issued a letter in January 2007 communicating several concerns to DOE, including deficiencies in the hazards analysis and an inadequate basis for excluding nuclear incident monitors from the facility. As a result, DOE has revised the hazards analysis to address the Board's concerns and incorporated nuclear incident monitors into the design.

Uranium Processing Facility at the Y-12 National Security Complex. The Board reviewed the conceptual design and safety documentation for the project. The Board concluded that the conceptual design and safety documentation did not meet the expectations of the draft standard for incorporating safety in design. DOE conducted additional design work and elaborated on the project risks to address the Board comments. The Board believes the conceptual design is now adequate to proceed into preliminary design. The project is awaiting formal approval by DOE to proceed with preliminary design.

Plutonium Storage at the Savannah River Site. In 2003, Congress tasked the Board to conduct a study of the adequacy of the K-Area Materials Storage (KAMS) facility and related support facilities, such as Building 235-F (235-F), at the Savannah River Site. A report documenting this study was issued in December 2003. The Board proposed nine actions it considered necessary to enhance safety, reliability, and functionality of the plutonium storage facilities at Savannah River Site. Congress also requested an annual report on the status of the proposals in this report. In June 2007, the Board issued its annual update to Congress. Based in part on extensive proposals, DOE decided against using 235-F and will only store plutonium in the KAMS facility. The Board agreed with this decision. DOE agreed with the Board's proposals to upgrade the KAMS facility. In 2007, DOE completed the last remaining upgrade to the fire protection system in the facility. The addition of a fire detection system permits plutonium to be stored safely in the KAMS facility until dispositioned by DOE.

Performance Goal 3	**Nuclear Facilities Design and Infrastructure.** New DOE defense nuclear facilities, and modifications to existing facilities, are designed and constructed in a manner that ensures adequate protection of the health and safety of the workers and the public.

FY 2006 Performance Accomplishments

The Board and its staff continued providing technical evaluations of numerous design and construction projects throughout the DOE complex. These evaluations have led to DOE improving its design process, enhancing the design of new facilities, correcting construction deficiencies noted, as well as starting actions to correct identified issues. Some of these actions are:

Safety-in-Design Public Meetings. As a result of reviews conducted by the Board during the past several years, it became apparent to the Board that safety was not being integrated into the design of new facilities early in the design process. The Board held two public meetings to delve into how safety could be better integrated into the DOE design process. As a result, DOE acknowledged that improvements were needed to better incorporate safety into the design of nuclear facilities and reported undertaking a number of initiatives to address the identified shortcomings. DOE has now established new expectations for identifying and resolving safety issues earlier in the design process; revised the existing DOE Order for project management; and is working to revise the existing DOE Manual for project management. Further, DOE is developing a new standard to implement a more rigorous approach to safety-in-design. The Board expects that these actions, when fully implemented, should lead to significant improvements in the design of new defense nuclear facilities.

Waste Treatment Plant at the Hanford Site. The Board has continued its review of the design and construction of important-to-safety structures, systems, and components in the Waste Treatment Plant facilities. The design and construction of these facilities slowed significantly during this past year while DOE addressed budget issues. The Board's activities primarily consisted of considering the resolution of previously identified issues. Subsequent deficiencies and concerns have been identified during these reviews, for example:

- The Board had earlier identified that the DOE-specified seismic requirements may not have been sufficiently conservative. DOE evaluation of this concern identified that the seismic requirements were underestimated by about 40 percent. DOE is now evaluating the impact this increase will have on the design of the structure and equipment and using state-of-the-art techniques to develop new data to resolve some uncertainty in the modeling used to predict the seismic hazard. The Board is evaluating the techniques being used to collect these data.

- DOE significantly underestimated the impact of hydrogen hazards on pipes and small process vessels and components. At the urging of the Board, DOE has continued to evaluate design solutions to address the issue and re-evaluated and issued new design criteria to ensure the design remains fully protective of the public's health and safety.

- The Board continues to follow the status of the design and installation of fire-protective coating on structural steel subsequent to DOE directing the contractor to comply with code requirements. Questions on the basis for not coating some steel have resulted in DOE developing criteria and a methodology to justify the decisions. The Board has questioned the basis for much of the criteria in an attempt to improve its technical adequacy.

Demonstration Bulk Vitrification Facility at the Hanford Site. In September 2005, the Board identified potential weaknesses in areas such as the design, safety analysis, and the safety of workers that needed to be considered in finalizing the design of the Demonstration Bulk Vitrification Facility. Design of the facility continued in FY 2006 including an independent expert review arranged by DOE. Additionally, a more formal approach to project management was implemented. As a result, the design has continued to evolve and improvements in radioactive material confinement and worker safety features have been developed.

Integrated Waste Treatment Unit at the Idaho National Laboratory. The Board reviewed major aspects of the project organization, preliminary design, and safety basis development for the Integrated Waste Treatment Unit (IWTU). Primary areas of focus included: process design and confinement strategy, safety strategy as detailed in the preliminary documented safety analysis, and pilot plant testing. In response to Board concerns, the DOE directed the project to use a more conservative and commonly used computer code for estimating radiological consequences for co-located workers and the public from postulated accidents. Further, the project directed a review of key safety analysis inputs and subsequently changed its inputs for many of the postulated accidents. The Board is continuing to review concerns including: control strategy for hydrogen deflagration prevention in process equipment, rapid shutdown system design, and waste characterization/radionuclide inventory controls.

Los Alamos National Laboratory Chemistry and Metallurgy Research Replacement Facility. The Board performed a series of reviews on the conceptual design and initial portions of the preliminary design. A number of significant concerns were identified, including an inadequate suite of safety controls that would not provide confinement under all accident scenarios. NNSA is currently working to address the concerns raised by the Board.

Device Assembly Facility at the Nevada Test Site. The Board noted to DOE deficiencies in the seismic analysis and potential structural issues associated with extensive cracking and water leaks in the Device Assembly Facility (DAF) at the Nevada Test Site. The criticality testing capability from TA-18 at Los Alamos National Laboratory is being relocated to the Criticality Experiments Facility, which will be housed in DAF. The Board had previously reviewed the plans for the Criticality Experiments Facility (including design reviews and preliminary documented safety analysis) and took issue with the lack of design criteria and an inadequate safety analysis. In FY 2006, the Board provided additional feedback to DOE regarding the progress on the safety analysis, ongoing seismic analysis, and evaluation of the cracking concerns. As a result, DOE now plans to perform a new structural and seismic analysis, has plans to address water leaks, and is preparing a new safety analysis. The Board informed DOE that further testing of the concrete strength was prudent to fully evaluate the impact of the extensive cracking in DAF.

Pit Disassembly and Conversion Facility at the Savannah River Site. The Board continued to review the safety of the design of the Pit Disassembly and Conversion Facility (PDCF). The Board reviewed the surface settlement profiles at the building foundation as a result of soft zones unique to the Savannah River Site (SRS). Based on this review, the Board found that although the final predicted surface settlement is deemed adequate, the methods used need to be improved. The Board will address this concern with SRS separately. The Board also suggested several improvements in the electrical design of PDCF. The Board observed that the design rating of the diesel generator may not be adequate to handle the necessary loads during startup following a loss of offsite power.

Salt Waste Processing Facility at the Savannah River Site. The Board's review of the conceptual design of the Salt Waste Processing Facility at SRS identified weaknesses in the facility's design criteria for natural phenomena hazards. As a result, DOE has now directed its contractor to pursue a more robust structure, which will provide the confinement required by the DOE safety basis. The Board continues to review the new enhanced design as well as site geotechnical investigations.

Highly Enriched Uranium Manufacturing Facility. The Board initiated its review of construction activities for the Highly Enriched Uranium Materials Facility (HEUMF) at the Y-12 National Security Complex. The initial assessment focused on implementation of the construction quality program for reinforced concrete installation. Several fundamental concerns were noted and discussed with DOE. However, shortly after DOE initiated corrective actions, a significant number of quality related deficiencies became evident. Short term compensatory actions were initiated on the project while long-term corrective actions are being developed and implemented.

8. PERFORMANCE GOAL 4: NUCLEAR SAFETY PROGRAMS AND ANALYSIS

DOE regulations, requirements, and guidance are developed, implemented, and maintained; and safety programs at defense nuclear facilities are established and implemented; as necessary to protect adequately the health and safety of the workers and the public.

OUTCOME: DOE will have acknowledged, acted upon, and/or resolved the health and safety issues raised by the Board. In addition, follow-up technical evaluation of DOE's safety programs at defense nuclear facilities will verify necessary improvements in safety, and effective implementation of Integrated Safety Management principles.

SUMMARY:

For FY 2011, the key performance goals and initiatives of the Board in this area are intended to resolve continuing problems and ensure safety is improved at the level of the workers. If safety of the workers at DOE defense nuclear facilities can be improved, then the safety of the public more distant from the hazards will be substantially improved. Major efforts to achieve this goal in FY 2011 include:

- Ensure that DOE and its contractors apply the principles of integrated safety management at the activity level (i.e., that work scope is properly identified, that workers know the hazards and controls for their work, that work is performed in accordance with those controls, and that feedback and improvement are used to reduce further the risks of future work).

- Ensure directives that inform DOE personnel and contractors how to fulfill their responsibilities safely are evaluated and strengthened where necessary, including the development of new safety directives to provide guidance in areas for which none is currently available.

- Strengthen the application of quality assurance principles at defense nuclear facilities to improve the reliability and effectiveness of controls used to prevent or mitigate potential radiological accidents.

- Ensure that verifications of integrated safety management implementation are conducted at sites where new operating contractors are in place and where new integrated safety management systems are invoked, and ensure that such verifications are conducted in a manner that assures the public and worker safety and the protection of the environment.

Performance Goal 4	**Nuclear Safety Programs and Analysis.** DOE regulations, requirements, and guidance are developed, implemented, and maintained; and safety programs at defense nuclear facilities are established and implemented; as necessary to protect adequately the health and safety of the workers and the public.

FY 2011 Performance Objectives

DOE Directives. The Board will continue to assess the adequacy of proposed changes to DOE directives to ensure that any revisions are appropriate. The results of the directives reviews completed by the Board will be provided to DOE. The Board anticipates that approximately 30 DOE directives that may impact public and worker health and safety will require review, of which five to ten are likely to require significant Board and staff interaction to ensure satisfactory resolution of potential safety issues. In 2009, the Board issued a recommendation that DOE establish a policy on the use of quantitative risk assessment for nuclear safety applications and establish the necessary requirements and guidance for quantitative risk assessment in a directive or directives. The Board will work with DOE to ensure that the applicable documents are appropriately developed. The Board also expects to continue its involvement in the efforts of the National Nuclear Security Administration (NNSA) to establish its own directives system. It is estimated that ten NNSA directives will also require review. As a result of these reviews, new or modified health and safety directives will be issued, resulting in improved safety through standardized requirements and guidance that provide for adequate protection of the workers and the public as well as the protection of the environment.

Integrated Safety Management. The Board will continue its reviews of DOE's implementation of integrated safety management (ISM) and associated nuclear safety programs. In addition, while the Board has noted that considerable progress has been made in the implementation of ISM, continued DOE efforts are necessary to maintain ISM systems and ensure continuous improvement across the complex. Specific functional areas will be sampled to a greater depth. In addition, during FY 2010–2011, the Board will conduct a series of public hearings that will assess progress made in response to Recommendation 2004-1, *Oversight of Complex, High-Hazard Nuclear Operations*, and will be devoted to specific aspects of the implementation plan such as the role of the Central Technical Authority; feedback and improvement mechanisms; and the integration and support of research, analysis, and testing in nuclear safety technologies.

Safety Management Programs. Safety management programs are designed to ensure defense nuclear facilities are operated in a manner that adequately protects workers, the public, and the environment. At least five reviews will be completed in areas such as training and qualification, quality assurance, nuclear criticality safety, software quality assurance, conduct of operations, configuration management, maintenance management, and readiness preparations. As a result of these reviews, it is anticipated that DOE will provide an acceptable approach and schedule for resolution of any identified issues to support the safe operation of defense nuclear facilities.

Performance Goal 4	**Nuclear Safety Programs and Analysis.** DOE regulations, requirements, and guidance are developed, implemented, and maintained; and safety programs at defense nuclear facilities are established and implemented; as necessary to protect adequately the health and safety of the workers and the public.

FY 2010 Performance Objectives

DOE Directives. The Board will continue to assess the adequacy of proposed changes to DOE directives to ensure that any revisions are appropriate. The results of the directives reviews completed by the Board will be provided to DOE for action. The Board anticipates that approximately 20 DOE directives that may impact public and worker health and safety will require review, of which two or three are likely to require significant Board and staff interaction to ensure satisfactory resolution of potential issues. In 2009, the Board issued a recommendation that DOE establish a policy on the use of quantitative risk assessment for nuclear safety applications and establish the necessary requirements and guidance for quantitative risk assessment in a directive or directives. The Board will work with DOE to ensure that the applicable documents are appropriately developed. The Board also expects to continue its involvement in the efforts of the National Nuclear Security Administration (NNSA) to establish its own directives system. It is estimated that 15 NNSA directives will also require review. As a result of these reviews, new or modified health and safety directives will be issued, resulting in improved safety through standardized requirements and guidance that provide for adequate protection of the workers and the public as well as the protection of the environment.

Integrated Safety Management. The Board will continue its reviews of DOE's implementation of integrated safety management (ISM) and associated nuclear safety programs. In addition, while the Board has noted that considerable progress has been made in the implementation of ISM, continued DOE efforts are necessary to maintain ISM systems and ensure continuous improvement across the complex. Specific functional areas will be sampled to a greater depth. In addition, during FY 2010–2011, the Board will conduct a series of public hearings that will assess progress made in response to Recommendation 2004-1, *Oversight of Complex, High-Hazard Nuclear Operations*, and will be devoted to specific aspects of the implementation plan such as the role of the Central Technical Authority; feedback and improvement mechanisms; and the integration and support of research, analysis, and testing in nuclear safety technologies.

Safety Management Programs. Safety management programs are designed to ensure defense nuclear facilities are operated in a manner that adequately protects workers, the public, and the environment. At least five reviews will be completed in areas such as training and qualification, quality assurance, nuclear criticality safety, software quality assurance, conduct of operations, configuration management, maintenance management, and readiness preparations. As a result of these reviews, it is anticipated that DOE will provide an acceptable approach and schedule for resolution of any identified issues to support the safe operation of defense nuclear facilities.

Performance Goal 4	**Nuclear Safety Programs and Analysis.** DOE regulations, requirements, and guidance are developed, implemented, and maintained; and safety programs at defense nuclear facilities are established and implemented; as necessary to protect adequately the health and safety of the workers and the public.

FY 2009 Performance Accomplishments

DOE Directives. As part of its continuing review of new and revised DOE directives, the Board and its staff evaluated and provided constructive critiques of over 40 directives associated with, but not limited to nuclear design criteria, radiological protection, maintenance management, worker protection, and project management. At year's end, the staff was in the process of resolving issues regarding revisions or drafts of 10 pending directives to improve the content, clarity, and consistency of safety requirements and guidance. Examples of DOE directive reviews completed in 2009 include:

- DOE Order 425.1D, *Verification of Readiness to Start Up or Restart Nuclear Facilities*
- DOE Order 426.X, *Federal Technical Capability*
- DOE Order 410.2, *Management of Nuclear Materials*
- DOE Order 452.2D, *Nuclear Explosive Safety*
- DOE Order 452.1D, *Nuclear Explosive and Weapon Surety Program*
- Title 10, Code of Federal Regulations Part 712, *Human Reliability Program*
- DOE Guide 413.3-4, *U.S. Department of Energy Technology Readiness Assessment Guide*
- DOE Order 414.4.1X, *Quality Assurance*
- DOE Standard 1172, *Safety Software Quality Assurance Functional Area Qualification Standard*
- DOE Standard XXXX, *Application of Safety Instrumented Systems used in Non-Reactor Nuclear Facilities*
- DOE Standard 1173-2009, *Criticality Safety Functional Area Qualification Standard*
- DOE Standard 1083-2009, *Processing Exemptions to Nuclear Safety Rules and Approval of Alternative Methods for Documented Safety Analyses*
- DOE Handbook 1028-2009, *Human Performance Improvement Handbook*, Volume 1: *Concepts and Principles*, and Volume 2: *Human Performance Tools for Individuals, Work Teams, and Management*

Use of Quantitative Risk Assessment Methodologies. The Board identified the timely need for adequate policies and associated standards and guidance on the use of quantitative risk assessment methodologies at DOE defense nuclear facilities and issued Recommendation 2009-1, *Risk Assessment Methodologies at Defense Nuclear Facilities*. The Board recommended that DOE:

1. Establish a policy on the use of quantitative risk assessment for nuclear safety applications.
2. Consistent with this policy, establish requirements and guidance in a DOE directive or directives that prescribe controls over the quality, use, implementation, and applicability of quantitative risk assessment in the design and operation of defense nuclear facilities.
3. Evaluate current ongoing uses of quantitative risk assessment methodologies at defense nuclear facilities to determine if interim guidance or special oversight is warranted pending the development of formal policy and guidance.
4. Establish a requirement to identify deficiencies and gaps in ongoing applications of quantitative risk assessment along with the additional research necessary to fill those gaps in support of the development and implementation of the final policy and guidance.

DOE's Implementation Plan for this Recommendation is expected in late calendar year 2009.

Recommendation 2007-1, Safety-Related In Situ Nondestructive Assay of Radioactive Materials. The Board evaluated DOE's progress in implementing the Recommendation issued in October 2007. The Technical Support Group, defined in the Implementation Plan and comprised of senior DOE and contractor personnel with significant experience in nondestructive assay, developed lines of inquiry to be used during site reviews starting in calendar year 2009. Lines of inquiry included criteria for reviews of training and qualification, design requirements for new facilities and equipment, standards for conducting holdup measurements, implementation of standards, research and development, quality assurance, and oversight. The Board's staff observed the Technical Support Group's benchmarking efforts at key defense nuclear facilities.

Nuclear Criticality Safety. The Board conducted reviews in 2009 related to nuclear criticality safety issues highlighted in Board correspondence with DOE in January 2008 that expressed concerns that DOE reviews of criticality safety may not be of sufficient depth to accurately assess the health of nuclear criticality safety programs at defense nuclear facilities. The Board issued a letter in January 2009 underscoring issues with Nuclear Criticality Safety Evaluations conducted by Y-12. In addition, the Board's staff conducted a review of nuclear criticality safety at Los Alamos National Laboratory to assess progress in resolving previously identified issues. The Board continued to evaluate complex-wide activities as described in DOE's annual report on criticality safety.

Justifications for Continued Operations. The Board continued its review and oversight of DOE's processes and practices associated with the use of justifications for continued operations (JCO) at defense nuclear facilities. Previously the Board found a number of weaknesses in the JCO process and its implementation at defense nuclear facilities. In response to the Board's concerns, DOE is making progress in developing revised guidance for use in the field in the development and implementation of JCOs. Formal review of this guidance is expected to be completed by late calendar year 2009.

Safety System Design, Functionality, and Maintenance Reviews. In 2008 the Board conducted reviews of safety system design, functionality, and maintenance at a number of defense nuclear facilities. These reviews identified a number of deficiencies and weaknesses related to ensuring that credited safety systems can adequately perform their required functions in all operating regimes. Throughout FY 2009 the Board interacted with DOE and NNSA to properly disposition these findings. In particular, the Board has taken definitive action to fully characterize and drive the corrective actions for significant safety issues at Los Alamos National Laboratory at both the plutonium and tritium facilities.

A previous Board review of aging issues at H-Canyon highlighted the need to perform more inspections of aging equipment. The Board's review of the initial proposed approach identified many major flaws, and the Board strongly encouraged DOE to pursue a different approach. The new Integrated Facility Aging Management Program is producing the desired results in a timely manner and is now being expanded to review safety systems across SRS.

Readiness Reviews. The Board reviewed updates to directives related to startup and restart of nuclear facilities, as well as their implementation at defense nuclear facilities. Revisions to these directives are expected to provide much needed clarity. The Board actively monitors Startup Notification Reports for defense nuclear facilities under its cognizance and reviews startup and restart activities accordingly.

Conduct of Operations. The Board conducted conduct of operations reviews at Y-12 and Hanford in 2009. These reviews assessed the adequacy of DOE directives and standards implementation in the flow down to site-specific policies, procedures and instructions. Although the Board noted areas where opportunities for improvement in conduct of operations existed, overall these two sites had properly implemented conduct of operations programs.

Recommendation 2002-1, Quality Assurance for Safety Related Software. On December 22, 2008, the DOE Chief Health, Safety and Security Officer proposed an approach for managing the safety software central registry, a task of the remaining commitment of DOE's Implementation Plan for Recommendation 2002-1. Based on progress throughout this fiscal year, the Board expects DOE to formally request closure of this recommendation late this calendar year, 2009. The Board continues to evaluate quality assurance practices for safety-related software throughout the complex.

DOE Technical Capability. The Board continues to follow the state of technical competency throughout the DOE defense nuclear facilities complex. The Board's staff observed the activities of DOE's Federal Technical Capabilities Panel (FTCP) throughout the fiscal year and reviewed directives governing the FTCP as well as technical qualification standards for several areas of technical specialization.

After the Board identified several deficiencies with qualification cards for Facility Representatives, DOE conducted an assessment, revised the qualification cards and standards, and disqualified a Facility Representative who had been improperly granted interim qualifications. After the Board identified the lack of training opportunities for Facility Representative candidates, DOE set up a two-week course for Facility Representative candidates and Safety System Oversight candidates.

Activity-Level Work Planning. During 2009, the Board reviewed work planning processes at three sites. The reviews of work planning and control processes at Idaho National Laboratory, Y-12, and Los Alamos National Laboratory indicate that their programs have not been fully implemented and weaknesses still remain. DOE has made efforts to address these weaknesses, but to date these efforts have been inadequate.

Implementation of Safety Basis Controls. Independent validation of implementation of safety basis controls is important to nuclear safety, as discussed in a Board letter to DOE in 2008. Some DOE sites have protocols for performing such validations, but DOE continues to lack complex-wide requirements and guidance for independent reviews of the implementation of nuclear safety basis controls. In a brief to the Board on March 26, 2009, DOE provided the Board with information on a new Guide that has been drafted, *Guide for Performance of Independent Verification Reviews (IVRs) of Safety Basis Controls*. This draft Guide was issued to the field on March 19, 2009, in a 6 month pilot effort. The memo states that, "It is expected that each site will compare the practices outlined in this guide to your current site processes and adjust them, if appropriate." This direction is a positive step in compelling independent verification reviews at defense nuclear facilities.

Safety Culture Improvement Project. Starting in FY 2008 with DOE and its contractors establishing a jointly sponsored task team to develop tools for assessing and improving the safety culture of the federal and contractor workforces, progress continues to be made in refining these tools. As evidenced by the Deputy Secretary of Energy's memorandum dated January 16, 2009, support for strengthening safety culture now has strong leadership support. The Board has been closely observing the team's efforts and will continue to evaluate and encourage this effort as it continues to mature.

Recommendation 2004-1, Oversight of Complex, Hazardous Nuclear Operations. All 22 commitments made in the DOE Implementation Plan responding to Recommendation 2004-1 were due to be complete by 2009. Concerns remain with several commitments that are late or have no discernable response from the DOE. The Board issued a letter to the Secretary of Energy on March 23, 2009, highlighting particular commitments needing attention from senior management and organizational support to meet the intent of the recommendation. The specific troubled commitments highlighted to the Secretary of Energy are:

- Commitment 7, develop process to identify research and development needs across DOE/NNSA and identify the extent that these needs are being met by existing programs; and Commitment 8, develop method to ensure nuclear safety research. These commitments are more than two years late. Efforts made by the office of primary responsibility have fragmented and fall far short of a complex-wide assessment.

- Commitment 2, provide adequate technical support for the Central Technical Authorities (CTAs); and Commitment 3, fully implement the CTA function. The DOE CTA function supporting the Under Secretary of Energy underwent turmoil during the transition of Presidential administrations, and the technical support of the NNSA CTA has been degraded as result of staff reorganization at NNSA. It appears that the DOE CTA issue was resolved following the confirmation of the Under Secretary of Energy.

The Board also remains engaged in two other areas that have been problematic:

- Commitment 5, issue DOE Safety Oversight Guide. This is intended to be a key document to improve the consistency and completeness of implementation of Integrated Safety Management.

- Commitment 10, Deliverable A, develop and implement Quality Assurance Plans required by DOE Order 414.1C, *Quality Assurance*. NNSA's inadequate performance in this area indicates that implementation has not been effective.

Performance Goal 4	**Nuclear Safety Programs and Analysis.** DOE regulations, requirements, and guidance are developed, implemented, and maintained; and safety programs at defense nuclear facilities are established and implemented; as necessary to protect adequately the health and safety of the workers and the public.

FY 2008 Performance Accomplishments

DOE Directives. As part of its continuing review of new and revised DOE directives, the Board and its staff evaluated and provided constructive critiques of over 50 directives associated with, but not limited to nuclear design criteria, radiological protection, maintenance management, worker protection, and project management. At year's end, the staff was in the process of resolving issues regarding revisions or drafts of 17 pending directives to improve the content, clarity, and consistency of safety requirements and guidance. Examples of directives completed in 2008 include:

- DOE Order 450.1A, *Environmental Protection Program*
- DOE Manual 460.2-1A, *Radioactive Material Transportation Practices Manual for Use with DOE Order 460.2A*
- DOE Guide 441.1-1C, *Radiation Protection Programs Guide for Use with Title 10, CFR, Part 835, Occupational Radiation Protection*
- DOE-Handbook-1113-2008, *Radiological Safety Training for the Uranium Facilities*
- DOE Manual 441.1-1, *Nuclear Material Packaging Manual*
- DOE-Standard-1189-2008, *Integration of Safety Into the Design Process*
- DOE-Standard-1185-2007, *Nuclear Explosive Safety Study Functional Area Qualification Standard*

Use of Quantitative Risk Assessment Methodologies. The Board continued to follow DOE's activities associated with the use of quantitative risk assessment at defense nuclear facilities. Previously, the Board conducted a comprehensive assessment of DOE's policies, programs, processes, and procedures with respect to the use of quantitative risk assessment and related methodologies and found that additional guidance was warranted. DOE developed a number of draft policies and implementation guides to address the use of risk methodologies in the defense nuclear complex. The Board provided numerous comments on the documents and continues to aid DOE in refining and revising these documents with a goal of issuing a draft Policy and Guide to the complex for formal comment and review.

Recommendation 2007-1, *Safety-Related In Situ Nondestructive Assay of Radioactive Materials.* DOE issued an Implementation Plan addressing the actions from the Recommendation in October 2007. After DOE made several changes including additional DOE commitments, the Board accepted the plan in April 2008. DOE has accomplished the first milestones under the plan, including establishment and funding of the Technical Support Group, which is comprised of senior DOE and contractor personnel with significant experience in nondestructive assay. The Technical Support Group is currently developing lines of inquiry to be used during site reviews, which are planned to start in early calendar year 2009.

Nuclear Criticality Safety (NCS). In a letter to DOE in January 2008, the Board expressed concerns that DOE reviews of criticality safety may not be of sufficient depth to accurately assess the health of NCS programs. NCS problems discovered by the Board at Los Alamos National Laboratory in late FY 2007 underscore the need for an effective review strategy, since these problems had been missed during earlier reviews by DOE. The Board modified the annual reporting requirements from the closure of Recommendation 97-2, *Continuation of Criticality Safety at Defense Nuclear Facilities in the Department of Energy*, to obtain more specific information on the status of criticality safety throughout the DOE complex. This includes line management assessments by DOE on the adequacy of contractor and site office NCS programs, metrics used to monitor contractor NCS performance, and NCS engineer staffing for contractors and site offices. DOE submitted the 2007 annual report on nuclear criticality safety in July 2008, and briefed the Board in September 2008. The Board is currently evaluating the activities described in DOE's report.

Justifications for Continuing Operations. The Board continued its review and oversight of DOE's processes and practices associated with the use of justifications for continuing operations (JCO) at defense nuclear facilities. Previously the Board found a number of weaknesses in the JCO process and its implementation at defense nuclear facilities. In response to the Board's concerns, DOE is developing revised guidance for use in the field in the development and implementation of JCOs.

Safety System Design, Functionality, and Maintenance Reviews. In 2008 the Board conducted reviews of safety system design, functionality, and maintenance at a number of defense nuclear facilities. These reviews identified a number of deficiencies and weaknesses related to ensuring that credited safety systems can adequately perform their required functions in all operating regimes. DOE will be working throughout FY 2009 to properly disposition these findings.

Readiness Reviews. The Board continues to review directives related to startup and restart of nuclear facilities, as well as their implementation at defense nuclear facilities. DOE formed a readiness review working group to ensure a more rigorous and conservative implementation of DOE Order 425.1C, *Startup and Restart of Nuclear Facilities*, and to address other complex-wide startup and restart issues. The working group evaluated the directives concerning the startup and restart of nuclear facilities and has proposed revisions to the DOE Order 425.1C and DOE Standard 3006, *Planning and Conduct of Operational Readiness Reviews*. The Board observed many of the discussions concerning the proposed revisions to understand the basis for any changes that were proposed. The Board is evaluating the revisions and working with the authors to ensure the specific tenets of Recommendation 92-6, *Operational Readiness Reviews*, are not minimized in the updated directives.

Recommendation 2002-1, *Quality Assurance for Safety Related Software.* On February 7, 2008, the Chief Health, Safety and Security Officer for DOE proposed a path forward for closure of the one remaining open action of DOE's Implementation Plan for the Board's Recommendation 2002-1. This action item required DOE to perform a gap analysis on the six original toolbox codes to determine the actions needed to bring the codes into compliance with Software Quality Assurance criteria. Although the gap analyses were completed, follow-up actions needed to resolve the gaps for each code have yet to be completed. DOE has now developed a plan and schedule along with the approach that will be used to resolve the gaps identified in the toolbox code gap analysis reports to allow closure of Recommendation 2002-1 by the end of 2008.

Recommendation 2004-2, *Active Confinement* Systems. During 2008, all the candidate Environmental Management (EM) facilities were reviewed against the confinement ventilation system evaluation criteria, and many gaps were identified. DOE-EM officials are to review these gaps and the sites' proposed actions for their resolution, and submit to the Board recommended actions for modifications to meet the commitments in the Implementation Plan. Similarly, the National Nuclear Security Administration has performed an assessment of about a dozen facilities and identified gaps that need to be resolved through facility modifications or compensatory measures. The Board has also reviewed the DOE design and construction projects to ensure that the proposed design would meet the intent of the Recommendation and DOE expectations as documented in the Implementation Plan. Resolution of the identified design improvements will significantly enhance the safety posture of these facilities.

DOE Technical Capability. The Board continues to follow the state of technical competency throughout the complex. The Board conducted a review of contractor training and qualification programs at Pantex and provided comments to DOE in a July 8, 2008, letter. The review identified a number of improvements that could enhance the training and qualification program. DOE is currently working to properly disposition these improvement areas.

Activity-Level Work Planning. During 2008, the Board reviewed work planning processes at four sites. The reviews of LANL and LLNL work planning and control processes indicate that their programs have not been fully implemented and weaknesses still remain. DOE efforts to address these weaknesses to date have been inadequate.

Implementation of Safety Basis Controls. Independent validation of implementation of safety basis controls is important to nuclear safety. Some DOE sites have protocols for performing such validations, but DOE lacks complex-wide requirements and guidance for independent reviews of the implementation of nuclear safety basis controls. The Board issued a letter on February 5, 2008, identifying this deficiency and requesting DOE to evaluate the need for such requirements/guidance.

Safety Culture Improvement Project. During FY 2008, DOE and its contractors established a jointly sponsored task team to develop tools for assessing and improving the safety culture of the federal and contractor workforces. The initial effort is intended to focus on improving leadership, workforce engagement, and organizational learning. Improvements in these areas will significantly contribute to improving the implementation of integrated safety management as well as other functional areas related to safety at defense nuclear facilities. The Board has been closely observing the team's efforts and will continue to evaluate and encourage this effort as it continues to mature.

Performance Goal 4	**Nuclear Safety Programs and Analysis.** DOE regulations, requirements, and guidance are developed, implemented, and maintained; and safety programs at defense nuclear facilities are established and implemented; as necessary to protect adequately the health and safety of the workers and the public.

FY 2007 Performance Accomplishments

DOE Directives. As part of its ongoing review of new and revised DOE directives, the Board and its staff evaluated and provided constructive critiques of 30 directives associated with, but not limited to nuclear design criteria, maintenance management, worker protection, emergency management, and project management. At year's end, both staffs were in the process of resolving issues on 15 pending directives to improve the content, clarity, and consistency in safety requirements and guidance. Examples of completed directives include:

- DOE-Standard-1183, *Nuclear Safety Specialist Functional Area Qualification Standard*
- DOE-Standard-1185, *Nuclear Explosives Safety Study Functional Area Qualification Standard*
- DOE Manual 460.2-1A, *Radioactive Material Transportation Practices Manual*
- DOE Order 410.1, *Baseline Nuclear Safety Requirements*
- DOE Order 226.1A, *Implementation of Department of Energy Oversight Policy*
- DOE-Standard-SAFT-0113, *Preparation of Safety Basis Documents for Transuranic Waste Facilities*

Administrative Controls. In Recommendation 2002-3, *Requirements for the Design, Implementation, and Maintenance of Administrative Controls*, the Board identified the need for DOE to improve its guidance and expectations with respect to important administrative controls at defense nuclear facilities. As a result of the Board's Recommendation, the Department developed and implemented a plan to improve the reliability and effectiveness of administrative controls that serve safety functions. DOE developed a new standard governing the development and implementation of specific administrative controls in the defense nuclear complex. Further, DOE made significant revisions to the "safe harbor" methodologies used to comply with 10 CFR 830, *Nuclear Safety Management*, to codify and incorporate the provisions of the Recommendation. In early 2007, DOE indicated that all the commitments associated with this issue had been met and requested closure of the Recommendation. However, following a series of effectiveness reviews, the Board identified a number of weaknesses that indicated that the Department's implementation of the Recommendation had not been fully effective. The Board will work to further evaluate the effectiveness and implementation of DOE's efforts to satisfy these commitments in 2008.

Use of Quantitative Risk Assessment Methodologies. The Board continues to follow DOE's activities associated with the use of quantitative risk assessment at defense nuclear facilities. Previously, the Board conducted a comprehensive assessment of DOE's policies, programs, processes, and procedures with respect to the use of quantitative risk assessment and related methodologies. The Board's review suggested that DOE and its contractors have employed quantitative risk assessment in a number of activities, including the development of documented safety analyses and other facility-level decision making activities. The precise use, as well as the level of formality of these assessments, varied over a wide range. As a result of the Board's observations and concerns, DOE has recently developed a new draft policy and implementation guide to address the use of risk methodologies in the defense nuclear complex. The Board will continue to oversee DOE's progress in fully developing an effective policy, along with useful implementing guidance, to govern the use of risk assessment methodologies at DOE facilities.

Justifications for Continuing Operations. The Board reviewed DOE's processes and practices associated with the use of justifications for continuing operations (JCO) at defense nuclear facilities. This review encompassed the guidance and requirements associated with JCO requests, review, and approval, along with a survey of actual JCOs in effect at selected facilities. The Board compared DOE's use of JCOs with approaches used elsewhere in the nuclear industry. The Board found a number of weaknesses in the JCO process and its implementation at defense nuclear facilities. In particular, it was noted that DOE has not established adequate requirements, expectations, and guidance for the use of JCOs. In general, DOE's processes and practices with respect to JCOs are not in conformance with generally accepted nuclear industry processes, and a number of facilities appear to be in violation of even these deficient processes and practices. The Board will continue to work with DOE to develop and implement a satisfactory approach for the use of JCOs in the defense nuclear complex.

DOE Standard 1027, *Hazard Categorization and Accident Analysis Techniques for Compliance with DOE Order 5480.23,* Nuclear Safety Analysis Reports, Change Notice 1. In June 2006, the Board issued a letter identifying numerous deficiencies with DOE-Standard-1027-92, and requested that DOE issue a report addressing these and other potential issues associated with the standard. As a result of this letter, DOE closely examined issues associated with DOE-Standard-1027 and its implementation in an effort that involved contractors from across the complex as well as headquarters site personnel. The working group issued supplemental guidance to address the majority of the issues raised in the June 2006 Board letter, including exclusion of sealed sources from facility inventory for hazard categorization purposes. DOE has further committed to the Board to pursue a revision to the standard to catalyze clear and consistent implementation expectations in the document.

Recommendation 2004-2. The Board issued Recommendation 2004-2, *Active Confinement Systems,* in December 2004, to ensure that a reliable and effective control would be available to mitigate the consequences of potential accidents at defense nuclear facilities. During the past year, DOE completed detailed reviews of about a dozen high priority hazard category 2 facilities using the performance criteria provided in the ventilation system evaluation guidance document that was issued in February 2006. These facilities included the Container Surveillance and Storage Capability, Plutonium Disposition Project, Actinide Removal Process, and Pit Disassembly and Conversion Facility at Savannah River Site; New Waste Calcine Facility and Advanced Mixed Waste Treatment Facility at Idaho National Laboratory; Depleted Uranium Hexafluoride Conversion Facilities at Paducah and Portsmouth; Waste Treatment and Immobilization Plant at Hanford; Technical Area-55 Plutonium Facility at Los Alamos National Laboratory; and Uranium Processing Facility and Building 9212 at the Y-12 National Security Complex. These evaluations compared certain functional performance capabilities of the ventilation systems for these facilities against the identified safety related performance criteria of the guidance document. As a result, weaknesses or gaps were identified, and system modifications were proposed to meet the expectations of the Recommendation. Several of these facilities have already committed to making the necessary modifications to improve the reliability and performance of their active confinement ventilation systems. The remainder awaits the Program Secretarial Officer's review and approval of the necessary modifications.

Recommendation 2000-2. Recommendation 2000-2, *Configuration Management, Vital Safety Systems,* was issued to DOE on March 8, 2000, and an Implementation Plan was accepted on December 14, 2000. The plan called for an initial assessment and inventory of the vital safety systems throughout the defense nuclear complex, followed by the development of a process to ensure that those assessments would be repeated periodically. The Implementation Plan also required the establishment (at each site) of qualified federal and contractor employees cognizant of the site's vital safety systems. Because of the great importance of the vital safety systems in achieving and maintaining a high level of safety on the DOE sites, the Board's staff made frequent visits to evaluate DOE's progress in implementing the Recommendation. As a result of the progress made in response to the Recommendation, the Board agreed with DOE, in a letter date August 8, 2007, that the recommendation could be closed. Because of the importance of these systems to safety in the defense nuclear facilities, however, the Board will request, separately and as appropriate, that relevant DOE programs provide periodic reports or briefings on the implementation and maintenance of their supporting configuration management programs.

Readiness Reviews. As a result of concerns expressed by the Board regarding the proper implementation of DOE Order 425.1C, *Startup and Restart of Nuclear Facilities,* DOE conducted a comprehensive review of startup and restart procedures, as well as their implementation at defense nuclear facilities. To ensure a more rigorous and conservative implementation of DOE Order 425.1C, and to address other complex-wide startup and restart issues, DOE formed a readiness review working group. Specific and ongoing working group actions include revising and reinvigorating readiness review training for DOE and contractors; clarifying certain aspects of the Order including definitions, conduct of a readiness review, and the process for readiness review notification; and updating pertinent readiness review examples in associated directives. The Board continues to monitor the working group's efforts to improve the quality of the directives related to startup of new and substantially modified facilities.

Recommendation 2007-1. In April 2007, the Board issued Recommendation 2007-1, *Safety-Related In-Situ Nondestructive Assay of Radioactive Materials.* The Recommendation was developed to ensure that in-situ measurements, when used to determine compliance with safety limits, would be done in accordance with recognized industry standards and contain appropriate quality assurance elements. The Recommendation also required DOE to establish other requirements via the directives system for proper execution of such measurements within site-level programs, including: personnel training and qualification, standard techniques for addressing measurement uncertainty, and periodic assessments of the need for new technology. DOE accepted the Recommendation in June 2007, and is currently working on an implementation plan to address the concerns identified by the Board.

Criticality Safety. Concerns expressed by the Board regarding the lack of Nuclear Criticality Safety (NCS) site reviews led DOE to establish a formal program to monitor contractor and federal NCS programs across the complex. The baseline reviews, which used senior contractor and federal NCS personnel, are now complete. The results of these reviews have been or will be examined by the Board as the reports are finalized. The Board also provided input to the latest revision of DOE-Standard-3007-2007, *Guidelines for Preparing Criticality Safety Evaluations at Department of Energy Nonreactor Nuclear Facilities*, which was issued in early 2007, and to supplemental guidance issued for DOE-Standard-1027, *Hazard Categorization and Accident Analysis Techniques for Compliance with DOE Order 5480.23, Nuclear Safety Analysis Report*. The Board conducted reviews of NCS evaluations, contractor NCS programs, and federal oversight at Hanford, the Savannah River Site, and Los Alamos National Laboratory. The Board continues to monitor DOE's progress in assuring criticality safety at defense nuclear facilities.

Recommendation 2004-1. In response to Recommendation 2004-1, *Oversight of Complex, High-Hazard Nuclear Operations*, DOE completed the following actions in 2007: 1) fully implemented the Central Technical Authorities function, with associated technical support staff managed by the Chief of Defense Nuclear Safety for NNSA and the Chief of Nuclear Safety for the remainder of DOE; 2) issued a new DOE manual on integrated safety management; 3) created an ISM Champions Council, reporting to the Deputy Secretary, and responsible for reinvigorating ISM in the Complex; 4) performed program office self-assessments of safety function assignments at the program office level and defined criteria for the delegation of authority; and 5) issued an integrated safety management system description for each of the program offices. DOE also completed several milestones associated with the corrective action plan for Federal Technical Capabilities, as delineated in the discussion of Technical Competence below. Based on a reevaluation of commitments, DOE revised the 2004-1 Implementation Plan and moved responsibility for the Office of Nuclear Safety Research from the Office of Environment, Safety and Health to NNSA. NNSA also continues to work on a modified line oversight contractor assurance system, which is intended to focus more NNSA oversight on the facilities where a low-probability-high-hazard accident is credible, while relying on the contractor to oversee the remainder of the facilities. The Board will expend significant effort in the oversight of this transformation to ensure that safety of defense nuclear facilities is not jeopardized.

Implementation of ISM: Activity-Level Work Planning. In 2006, NNSA completed work on its expectations for contractors' work planning and control processes, as well as criteria and review approach documents to comprehensively assess these processes. Based upon these documents and similar criteria and review approach documents developed by DOE's Office of Environmental Management, reviews were conducted at each of the sites to determine the baseline state of the work planning and control process. From this baseline, DOE has committed to take actions that will improve work planning and control at the sites as a part of the Recommendation 2004-1 Implementation Plan. During 2007, the Board staff reviewed work planning processes at three DOE sites. The results of these reviews indicate that the oversight actions that were to be taken may not have been fully institutionalized. Oversight of this area will require significant effort during 2008 in order to improve performance.

DOE Technical Capability. In response to the Board's Recommendation 2004-1, DOE is making progress in a number of areas:

- DOE has completed a total of 16 of the 28 actions from the original Corrective Action Plan to improve DOE's federal technical capability, as noted in the implementation plan for Recommendation 2004-1.

- DOE used the lessons learned from a February 2006 Senior Technical Safety Manager (STSM) pilot course to improve the course held in November 2006, and then instituted a Department-wide, formal and rigorous final testing program to validate STSM qualification. DOE also strengthened its qualification criteria with mandatory performance activities through a significant revision to DOE-STD-1075, *Senior Technical Safety*

Manager Functional Area Qualification Standard, re-issued in November 2006.

- DOE has incorporated former facility representatives into its integrated project teams, with noticeable success for the Highly Enriched Uranium Materials Facility at Y-12 National Security Complex and the Waste Treatment and Immobilization Plant at Hanford.

Performance Goal 4	**Nuclear Safety Programs and Analysis.** DOE regulations, requirements, and guidance are developed, implemented, and maintained; and safety programs at defense nuclear facilities are established and implemented; as necessary to protect adequately the health and safety of the workers and the public.

FY 2006 Performance Accomplishments

DOE Directives. As part of its ongoing review of new and revised DOE directives, the Board and its staff evaluated and provided constructive critiques of 32 directives associated with, but not limited to nuclear design criteria, maintenance management, worker protection, emergency management, and project management. At year's end, both staffs were in the process of resolving issues on 12 pending directives to improve the content, clarity, and consistency in safety requirements and guidance. Examples of completed directives include:

- DOE Order 151.1X, *Comprehensive Emergency Management System*
- DOE Order 251.1X, *Directives Program*
- DOE Order 420.1B, *Facility Safety*
- DOE Guide 424.1-1A, *Implementation Guide for use in Addressing Unreviewed Safety Question Requirements*
- DOE Order 452.1C, *Nuclear Explosive and Weapon Surety Program*
- DOE Order 452.2C, *Safety of Nuclear Explosive Operations*
- DOE Standard 1104, *Review and Approval of Nuclear Facility Safety Basis Documents*

Recommendation 2004-2. The Board issued Recommendation 2004-2, *Active Confinement Systems*, in December 2004, to ensure that a reliable and effective control would be available to mitigate the consequences of potential accidents at defense nuclear facilities. DOE has now screened all hazard category 2 and 3 defense nuclear facilities against criteria designed to identify those with the potential for benefiting from the intent of the Recommendation. DOE also completed another major milestone in February 2006, developing and issuing its Ventilation System Evaluation Guidance document. This document identifies a set of design and performance attributes that ventilation systems can be evaluated against for identification of potential upgrades. Several pilot facilities have been identified by DOE to which these attributes will be applied, in order to identify potential improvements, before the guidance document is applied to the rest of hazard category 2 and 3 facilities that were screened and identified earlier in the year. The evaluation process will be completed over the next two years, resulting in significant improvement in the safety posture of defense nuclear facilities across the complex

DOE Technical Capability. In response to the Board's Recommendation 2004-1, *Oversight of Complex, High-Hazard Nuclear Operations*, DOE is making progress in a number of areas:

- In May 2006, DOE conducted the initial accreditation review of the Technical Qualification Program (TQP) at the site office for the Y-12 National Security Complex. The Y-12 Site Office had a solid program and served as a good benchmark for this accreditation process.

- DOE budgeted $2M for FY08 to re-establish the Corporate Technical Intern Program, which would fund ten interns.

- DOE developed and executed a Senior Technical Safety Manager (STSM) overview course in Albuquerque in February 2006 for qualified STSMs in the process of requalification and for new STSM candidates to assess gaps in their knowledge level. DOE will use lessons learned from this course to improve its next scheduled course. Additionally, DOE is strengthening its STSM qualification criteria with mandatory performance activities through a significant revision to DOE-STD-1075, *Senior Technical Safety Manager Functional Area Qualification Standard.* DOE expects to issue this standard later this year.

Recommendation 2004-1. In 2006, the Board issued technical report, DNFSB/TECH-36, *Integrated Safety Management: The Foundation for an Effective Safety Culture.* The report examines the current status of the effectiveness of integrated safety management (ISM) systems at the seven NNSA weapons sites, summarizes failures and good practices, and proposes changes to enhance the effectiveness of ISM. In response to

Recommendation 2004-1, DOE completed the following actions in 2006: DOE designated an ISM Champion to chair an ISM Champions Council, which will assist in developing and sustaining vital, mature ISM systems throughout the Department; established two Central Technical Authorities (CTAs) with associated technical support staff; issued a new DOE policy and order on DOE oversight; implemented a nuclear safety research function; strengthened the technical qualification program for Federal safety assurance personnel; implemented a formal safety delegation and assignment process; and took steps to improve the implementation of the ISM "feedback and improvement" function, including issuance of a new DOE Order describing the Operating Experience Program. However, DOE has recently begun to take actions to withdraw from several of these commitments and is in the process of revising the implementation plan for the recommendation, which will require significant Board oversight in 2007.

Administrative Controls. In Recommendation 2002-3, *Requirements for the Design, Implementation, and Maintenance of Administrative Controls*, the Board identified the need for DOE to improve its guidance and expectations with respect to important administrative controls at defense nuclear facilities. As a result of the Board's Recommendation, the Department developed and implemented a plan to improve the reliability and effectiveness of administrative controls that serve in safety functions. DOE developed a new standard governing the development and implementation of specific administrative controls in the defense nuclear complex. Additionally, DOE has developed a set of training materials to introduce the new and revised requirements to its field elements and has taken actions to verify the adequacy and implementation of the revised guidance and expectations throughout the complex. Further, DOE has made significant revisions to the "safe harbor" methodologies used to comply with 10 CFR 830, *Nuclear Safety Management*, to codify and incorporate the provisions of the Recommendation. With the exception of the completion of several annual updates, DOE has indicated that it believes that all of the commitments associated with the Recommendation have been met. The Board will work to evaluate the effectiveness and implementation of DOE's efforts in satisfying these commitments in 2007.

Use of Quantitative Risk Assessment Methodologies. The Board continues to follow DOE's activities associated with the use of quantitative risk assessment at defense nuclear facilities. Previously, the Board conducted a comprehensive assessment of DOE's policies, programs, processes, and procedures with respect to the use of quantitative risk assessment and related methodologies. The Board's review suggested that DOE and its contractors have employed quantitative risk assessment in a number of activities, including the development of documented safety analyses and other facility-level decision making activities. The precise use, as well as the level of formality of these assessments, varied over a wide range. As a result of the Board's observations and concerns, DOE has chartered a working group comprised of representatives from the major program offices, field elements, national laboratories, and major contractors to guide the efforts in this area. This group has worked to develop a draft policy, along with draft implementation guidance, which is scheduled to be released for general comment later this year. The Board will continue to oversee DOE's progress in developing an effective policy, along with useful implementing guidance, to govern the use of risk assessment methodologies at DOE facilities.

Nuclear Criticality Safety. Concerns expressed by the Board regarding the lack of Nuclear Criticality Safety (NCS) site reviews led to the establishment of a formal program to monitor contractor and federal NCS programs across the complex. The reviews are performed using senior contractor and federal NCS personnel; results of these reviews will be a component of subsequent DOE NCS Annual Reports. In response to the DOE FY 2005 NCS Annual Report, the Board requested additional information from DOE for three items: an updated schedule for relocation of critical experimental capability from Los Alamos National Laboratory (LANL) to the Nevada Test Site; an analysis of DOE site office staffing needs for effective federal NCS oversight and plans to fill those positions; and the latest status and schedule for conducting NCS engineer training classes, which had been discontinued at LANL in 2004. DOE is preparing its response.

Implementation of ISM: Activity-Level Work Planning. In 2006, the National Nuclear Security Administration completed work on its expectations of the contractors' work planning and control processes, as well as criteria and review approach documents to comprehensively assess these processes for the first time. These documents will assist the sites in their goal of continuously improving worker safety. Based upon these documents and similar criteria and review approach documents developed by DOE's Office of Environmental Management, reviews were conducted at each of the sites to determine the baseline state of the work planning and control process. From this baseline, DOE has committed to take actions that will improve work planning and control at the sites as a part of the Recommendation 2004-1 Implementation Plan. Since that time, DOE has identified that the specific commitments will not be met as identified in the recommendation 2004-1 Implementation Plan, but that other actions will be taken as a part of the normal oversight of the sites. The Board will continue to work with them throughout FY 2006 to improve performance in this key area.

Recommendation 2002-1, *Quality Assurance for Safety-Related Software.* This recommendation was issued to correct problems caused by inadequate design, implementation, testing, and configuration management of safety-significant computer software. During the past year, DOE has completed identification, selection, and assessments of safety system software and firmware at its defense nuclear facilities. In addition, DOE has made some progress in properly training and qualifying personnel assigned to software quality assurance (SQA) positions to the requirements of DOE-STD-1172-2003, *Safety SQA Functional Area Qualification Standard.* Finally, DOE has issued three SQA-related directives and has revised DOE Manual 411.1C, *Safety Management Functions, Responsibilities and Authorities Manual* to reflect software-related organizational changes and responsibilities. Overall, DOE's ability to assure the validity of safety information developed by use of software is improving.

9. FINANCIAL TABLES

OBJECT CLASS SUMMARY

Actual obligations for FY 2009, projected obligations for FY 2010 and the Board's Budget Request for FY 2011 are presented by object class accounts in Exhibit C. The Board proposes to utilize the budget resources requested in the following manner:

Salaries and Benefits (Object Class 10)

The FY 2011 request includes funding of $21,387,669 to support the projected salary and benefit costs for 117.5 FTEs. The rationale and justification for the additional salaries and benefits costs are explained in detail on pages 7 through 12. The funding for salaries and benefits represents 71 percent of the Board's FY 2011 estimated obligations. In calculating the projected salary and benefits needs of the Board, the following federal pay adjustment and benefits factors for Executive Branch employees are used:

- Pay increase of 2.0 percent beginning in January 2010.
- Pay increase of 1.4 percent beginning in January 2011.
- Employee benefits of 26.5 percent of salaries, or $35,243 per FTE in FY 2011.

Note personnel benefit (Object Class 12) costs also include other costs such as change of station, public transit subsidies, etc.

In establishing the Board, Congress sought to bring the best talent available to focus on health and safety oversight questions associated with the design, construction, operation, and decommissioning of DOE defense nuclear facilities. The recruitment and retention of scientific and technical staff with outstanding qualifications are the key components in the Board's human capital strategy if we are to be successful in accomplishing the Board's mission. The Board has assembled a small and highly talented technical staff with extensive backgrounds in science and engineering disciplines such as nuclear–chemical processing, conduct of operations, general nuclear safety analysis, conventional and nuclear explosive technology and safety, nuclear weapon safety, storage of nuclear materials and nuclear criticality safety, and waste management. Virtually all of the technical staff hold technical master's degrees, and approximately 22 percent hold doctoral degrees. Almost all technical staff members possess practical nuclear experience gained from duty in the U.S. Navy's nuclear propulsion program, the nuclear weapons field, or the civilian reactor industry. In order to accomplish the Board's highly technical mission, it is of paramount importance that the Board receives sufficient funds to meet the salary and benefit requirements of the staff.

The Board enhances its on–site safety oversight of defense nuclear facilities by assigning experienced technical staff members to fulltime duty at priority DOE sites. Currently eleven full-time site representatives are stationed at six DOE sites: 1) Pantex Plant to oversee nuclear weapons activities, including the weapons stockpile stewardship and weapons disassembly programs; 2) Hanford Site to monitor waste characterization and stabilization and facility deactivation; 3) Savannah River Site to monitor DOE's efforts to deactivate facilities, stabilize waste materials, and store and process tritium; 4) Oak Ridge's Y-12 National Security Complex to monitor safety and health conditions at Y-12 and other defense nuclear facilities in the area; 5) Los Alamos National Laboratory (LANL) to advise the Board on overall safety and health conditions at LANL, and to participate in Board reviews and evaluations related to the design, construction, operation, and decommissioning of LANL defense nuclear facilities; and 6) to perform similar advisory and review efforts at Lawrence Livermore National Laboratory (LLNL).

The Site Representatives Program provides a cost-effective means for the Board to closely monitor DOE activities, and to identify health and safety concerns promptly by having on-site staff conducting first hand assessments of nuclear safety management at the priority sites to which they have been assigned. Site representatives regularly interact with the public, union members, congressional staff members, and public officials from federal, state, and local agencies.

Travel (Object Class 21)

The Board requests $1,090,000 to support the official travel of the Board Members and staff. This amount is consistent with the amount requested in the FY 2010 President's Budget adjusted for inflation and additional FTEs, less $50,000 for anticipated savings. Extensive travel is necessary to the various DOE defense nuclear facilities located throughout the United States in order for Board Members and staff to conduct first-hand assessments of operations and associated health and safety issues. The Board is required to react to incidents at the DOE defense nuclear facilities that may affect public health and safety, requiring unplanned travel expenditures to support its work at these sites. During FY 2009, Board Members, technical staff, and the Board's outside technical experts made 133 team visits to major defense nuclear sites in support of its high priority public health and safety oversight mission.

The Board is also authorized to station staff members at DOE sites or facilities to assist in carrying out its functions. The Board has assigned technical staff teams to round-the-clock monitoring of major startup, testing, or restart activities at various DOE sites. The presence of its technical staff has proved to be invaluable in providing the Board with firsthand information on the demonstrated readiness, capabilities, and performance of DOE and its contractors for ensuring safety in the conduct of such activities. During the coming fiscal years, the Board anticipates a continued need for Board technical staff teams to monitor construction and startup of new DOE defense nuclear facilities, such as the Waste Treatment Facility in Richland, Washington, and the Highly Enriched Uranium Materials Facility in Oak Ridge, Tennessee.

Travel funds are also used to pay for Board expenses associated with public hearings and meetings at or near DOE sites, where any interested persons or groups may present comments, technical information, or data concerning health and safety issues under Board.

Transportation of Things (Object Class 22)

The Board has included $280,000 in its FY 2011 Budget Request for the shipment of household goods for employees relocating to the Washington, DC area and/or to become site representatives at DOE, the same amount as included in the President's FY 2010 Budget.

Rental Payments to GSA (Object Class 23.1)

The Board requests funds totaling $2,504,811 to reimburse the General Services Administration (GSA) for projected office rental costs. This overhead expense represents approximately 8 percent of the Board's FY 2011 Budget Request. GSA negotiated a ten-year lease for the Board effective in March 2006. GSA has estimated that the Board's rental payment to GSA under the lease will be $2.505 million for FY 2011.

Communications and Utilities (Object Class 23.3)

The budget request includes $225,000 for projected communications support costs. Funds in this account will be used for telephone (local, long distance, and cellular) services, Internet access charges, postage and overnight delivery costs, and special messenger services. Contracts for emergency communications services for the Board Headquarters, site representatives, and the Board's alternate Continuity of Operations Facility (COOP) are also included in this account.

Printing and Reproduction (Object Class 24)

The budget request includes $48,500 for reimbursing the U.S. Government Printing Office for publication of required legal notices in the *Federal Register*. Routine printing and copying charges for Budget Requests, the Board's *Annual Report to Congress*, *Performance Accountability Report (PAR)*, and technical reports, are also included in this account.

Consulting Services (Object Class 25.1)

The Board maintains a highly skilled staff, but it is not economically feasible to maintain multiple permanent staff in very specialized technical disciplines. Therefore, it is necessary to have the funds available to immediately contract for this expertise when needed. For example, extensive use of technical consultants has been necessary to review the complex design and construction of the Waste Treatment Plant at Hanford. This includes the review of seismic analysis, structural loading, and construction plans to ensure the safety of this more than $12 billion project. The Board obtains specialized contractor expertise in a variety of technical disciplines to augment its internal review capability and avoid any unnecessary impact on DOE's construction schedule.

The Board plans to continue contracting for technical expert services in highly specialized disciplines such as lightning protection, geotechnical investigation, and seismic/structural engineering. Should an unexpected imminent or severe threat to public health and safety be identified, this expertise may be required for short durations. Each technical expert that the Board employs will continue to be carefully screened for possible conflict of interest.

A list of major technical support contracts with a brief description of each contractor's area of expertise, and a chart that reflects funding levels for this support are included on pages 96 through 100. The FY 2011 Budget Request includes $1,000,000 in this account for technical support contracts to assist the Board in its health and safety reviews. This amount is $100,000 less than the amount included in the FY 2010 President's Budget and reflects anticipated savings through more effective contracting.

Other Services (Object Class 25.2)

The budget request includes $1,940,000 to fund a wide range of recurring administrative support needs of the Board in FY 2011 such as the independent audit of the Board's financial statements, physical and cyber security, employee training, recruitment, information technology support, court reporting, records storage and retrieval, and drug-free workplace testing and support. This amount is consistent with the amount requested in the President's FY 2010 Budget adjusted for inflation and additional FTEs.

Government Services (Object Class 25.3)

The Board's budget request includes $800,000 for reimbursable support agreements with other federal agencies, $15,000 less than the amount included in the President's FY 2010 Budget. The Board utilizes cross-service providers for accounting and payroll processing services consistent with government-wide lines of business objectives, and also utilizes cross-servicing arrangements for services such as physical security, health unit, employee background investigations for security clearances, Employee Assistance Program services, the Library of Congress FedLink for legal and legislative research, and Defense Contract Auditing Agency (DCAA) services to assist in determination of fair and reasonable contracting costs.

Operation and Maintenance of Equipment (Object Class 25.7)

The Board requests $65,000 for maintaining and repairing Board equipment (e.g., copier maintenance agreements, repair of office equipment, etc.), the same amount included in the President's FY 2010 Budget.

Supplies and Materials (Object Class 26)

The Board requests $270,000 for continued access to numerous technical standards databases, legal research services, maintenance of the technical reference information for its library, and for general office supplies and materials.

Acquisition of Assets (Object Class 31)

The Board requests $450,000 for recurring software licenses/maintenance agreements supporting the Board's operations, to replace outdated office equipment such as printers and copiers, and make minor enhancements to existing software systems, less $22,500 for anticipated administrative savings. In addition, the Board requests $235,000 in non-recurring obligations for a planned telephone system replacement, for a total of $662,500.

The Board's CENTREX telephone system and its voice mail system are more than 10 years old, and in fact, the patch panel hardware that provides the circuit-switched connectivity is no longer eligible for service. This hardware is no longer manufactured and therefore there are no available replacement parts in the event of a hardware failure. After transitioning its long distance services from FTS2001 to Networx in FY 2009, the Board plans to replace/upgrade its telephone system hardware and related equipment in FY 2011. As part of the upgrade, the Board will also evaluate the feasibility of switching from its POTS (plain old telephone service) telephone system to a VoIP (voice over internet protocol). VoIP (which is an offered service under the Networx contracts) would provide unified communication that will tie together all types of available voice communications. VoIP technology could also potentially decrease the Board's monthly telephone cost by reducing the need to lease POTS lines and reducing charges for calling features. The initial start-up cost is estimated at $235,000 for cabling ($60,000), switches, handsets, and miscellaneous hardware ($130,000), software ($30,000), and installation ($15,000).

The Board's budget request for assets does not otherwise include funding for any new systems. It does include a small amount (less than $100,000) for potential enhancements to existing systems. The priority for system enhancements will be to ensure that existing security requirements are maintained and/or addressed as part of the enhancement (e.g., no funds will be spend on systems enhancement without first ensuring systems meet existing security requirements or will meet them as a result of the enhancement). The Board's life-cycle replacement policy for IT equipment is every three years, with the next replacement scheduled for FY 2010.

DEFENSE NUCLEAR FACILITIES SAFETY BOARD

FY 2011 CONGRESSIONAL BUDGET REQUEST

BUDGET ACCOUNT -- (OC)	2009 OBLIGATIONS (Actual)	FY 2010 FINANCIAL PLAN	FY 2011 BUDGET REQUEST
PERSONNEL SALARIES -- (11)	$ 13,390,630	$ 15,044,570	$ 16,315,603
PERSONNEL BENEFITS -- (12)	$ 3,696,145	$ 4,619,510	$ 5,072,066
TRAVEL -- (21)	$ 979,182	$ 1,045,000	$ 1,090,000
TRANSPORTATION OF THINGS -- (22)	$ 157,953	$ 280,000	$ 280,000
RENTAL PAYMENTS TO GSA -- (23.1)	$ 2,190,192	$ 2,272,920	$ 2,504,811
COMMUNICATIONS & UTILITIES (23.3)	$ 207,531	$ 220,000	$ 225,000
PRINTING & REPRODUCTION -- (24)	$ 37,757	$ 51,000	$ 48,500
ADVISORY & ASSISTANCE SERVICES -- (25.1)	$ 893,958	$ 1,000,000	$ 1,000,000
OTHER SERVICES -- (25.2)	$ 1,957,059	$ 1,900,000	$ 1,940,000
GOVERNMENT SERVICES -- (25.3)	$ 732,085	$ 785,000	$ 800,000
OPERATION & MAINT. OF EQUIPMENT -- (25.7)	$ 52,801	$ 65,000	$ 65,000
SUPPLIES & MATERIALS -- (26)	$ 263,156	$ 255,000	$ 270,000
ACQUISITION OF ASSETS -- (31)	$ 304,215	$ 665,000	$ 662,500
*** TOTAL OBLIGATIONS ***	$ 24,862,664	$ 28,203,000	$ 30,273,480
NEW BUDGET AUTHORITY	$ 25,000,000	$ 26,086,000	$ 28,640,000
UNOBLIGATED BALANCE - PREV. FY	$ 3,250,056	$ 3,851,686	$ 1,734,686
RECOVERY OF PRIOR YR OBLIGATIONS	$ 464,294	$ -	$ -
TOTAL BUDGETARY RESOURCES	$ 28,714,350	$ 29,937,686	$ 30,374,686
EST. UNOBLIGATED BAL. - CUR. FY	$ 3,851,686	$ 1,734,686	$ 101,206
OUTLAYS	$ 24,043,034	$ 27,638,940	$ 29,668,010

Exhibit C

TECHNICAL SUPPORT CONTRACTS SUMMARY

A list of major (> $25,000 in estimated annual expenditures) technical support contracts, with a brief description of each contractor's areas of expertise, follows. The FY 2011 Budget Request includes $1,000,000 in this account for technical support contracts to assist the Board in its health and safety reviews.

DEFENSE NUCLEAR FACILITIES SAFETY BOARD

TECHNICAL SUPPORT CONTRACTS

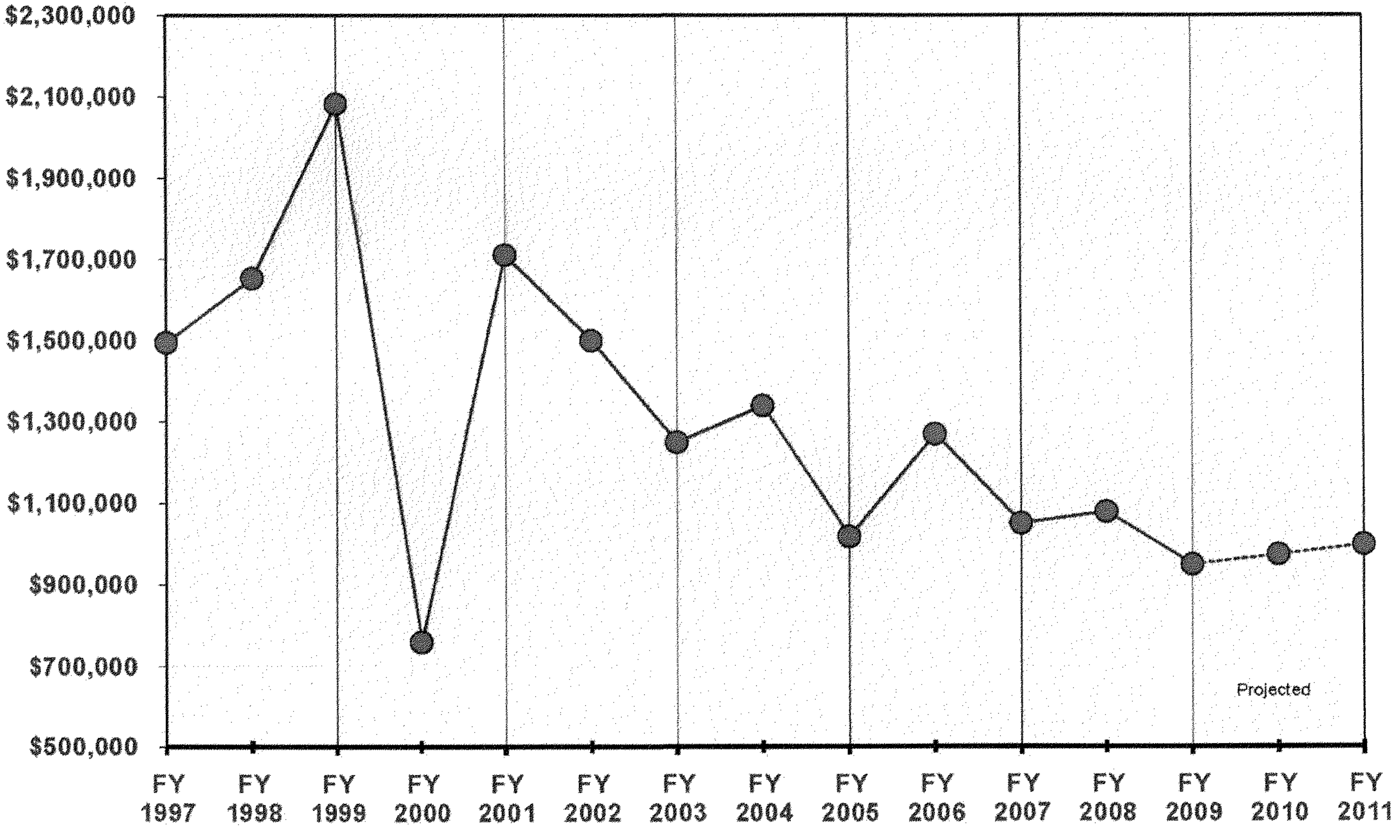
(Status as of January 31, 2010)

Contractor	Contract Expiration Date	Description of Work
Boeing Corporation	12/31/10	Provide expertise related to lightning safety issues at DOE's defense nuclear facilities. These services include assisting the Board in review, analysis, and modeling of lightning protection systems. Examples of work include analysis of the risk presented by lightning in explosive areas in and around large structures.
Bruce Mathews, LLC	10/31/10	Provide technical support to the Board involving the review, evaluation, and analysis of the safety bases for selected defense nuclear facilities (e.g., the completeness of the identification of hazards, the adequacy of documented analyses, the appropriateness and application of identified controls, the availability of potential alternatives controls), as well as the quality of Federal and contractor assessments and reviews of safety systems, conduct of operations, and readiness for operations at the facilities.
David S. Boyd, Inc.	3/31/10	Provide technical support to the Board, specifically involving the evaluation of directives and procedures governing operation and maintenance of defense nuclear facilities. In addition, provides technical support evaluating the implementation of Integrated Safety Management (ISM) for ongoing operations and maintenance, and also preparations for startup or restart of defense nuclear facilities. Example of work includes supporting review of readiness preparations for restart of at the Pantex Plant.
Mr. Joseph King	3/31/10	Provide technical support to the Board, specifically involving the evaluation of directives and procedures governing operation and maintenance of defense nuclear facilities. In particular, provide technical support evaluating preparations for startup or restart of defense nuclear facilities.

Contractor	Contract Expiration Date	Description of Work
Mr. Robert Lewis	3/31/10	Provide technical support to the Board, specifically involving the evaluation of directives and procedures governing operation and maintenance of defense nuclear facilities. In addition, provide technical support evaluating the implementation of ISM for ongoing operations and maintenance, and for preparations for startup or restart of defense nuclear facilities.
Dr. James L. Liverman	6/30/10	Provide technical support to the Board in the general subject area of ISM, quality assurance and radiation protection, specifically involving review and evaluation of amendments to 10 CFR 835 Rule, radiological protection standards, other radiological and environmental health and safety issues, and review of the development of DOE's quality assurance improvement plan.
Mr. Lew Miller	9/30/10	Provide technical support to the Board in the general subject area of defense nuclear facility design, including design basis accident analysis, safety system classification, application of national consensus codes and standards, application of DOE directives, and the review of technical documents supporting the DOE Critical Decision Process.
Mr. Kenneth Pusateri	10/31/10	Support the review, evaluation, and analysis of various internal processes and control activities used by the Office of the Technical Director and prepare draft directives, procedures, and/or policies relating these processes.
Paul C. Rizzo & Assoc., Inc.	12/31/10	Provide technical support to the Board, specifically in the review and evaluation of systems and seismic engineering of structures, systems and components with particular emphasis on geotechnical investigation and soil mechanics, systems engineering, adequacy of analyses performed by DOE contractors, seismological hazards, safety analysis, hydrology, and environmental related issues.
J.D. Stevenson Consulting	12/31/101	Provide technical support to the Board, specifically in the review and evaluation of systems and seismic engineering of structures, systems and components with particular emphasis on applicability and content of orders and standards developed by DOE and its contractors as well as existing codes and standards used at DOE utilities, applicability of commercial nuclear industry standards as they apply to DOE facilities, quality assurance related matters, adequacy of various types of analysis performed by DOE contractors, and hazard and systems classification.

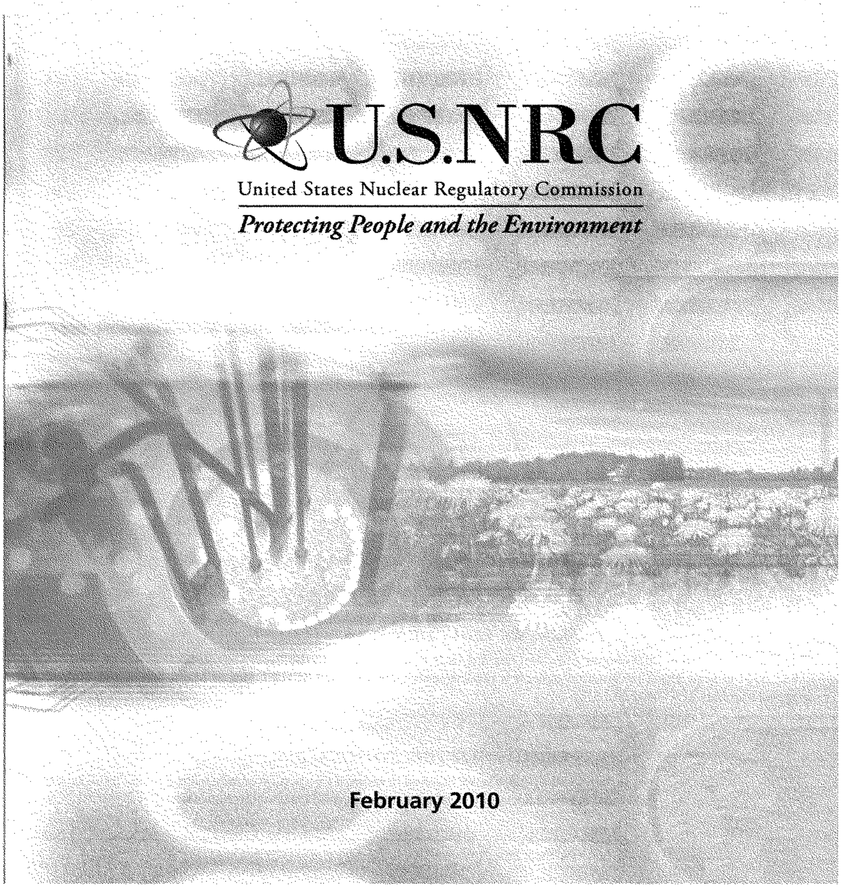
Contractor	Contract Expiration Date	Description of Work
Stevenson and Associates	12/31/10	Provide support to the Board involving the review, evaluation, and analysis of facility-specific engineering processes as well as products, primarily for natural and man-made extreme loading events such as seismic, high wind, tornadoes, floods, and missile impacts (e.g., the review of structural modal analyses , parameter sensitivities, capacity versus demand calculations, seismic performance of distribution and other systems), and the facility-specific use of DOE orders and standards, as well as relevant national consensus codes and standards.
D. Volgenau Associates, Inc.	12/31/10	Provide technical support to the Board, specifically involving the evaluation of directives and procedures governing operation and maintenance of defense nuclear facilities. In addition, provides technical support evaluating ongoing operations and maintenance and for preparations for startup or restart of defense nuclear facilities. Examples of work include supporting the review of programs and activities at Los Alamos National Laboratory and supporting design review at the Savannah River Site.
Mr. William Yeniscavich	4/13/10	Provide technical support to the Board, specifically involving the area of materials performance (e.g., national safety codes/specifications, stress and temperatures, corrosion and welding fundamentals, inspection and testing techniques.)

Defense Nuclear Facilities Safety Board Technical Contracts
Obligations By Fiscal Year



Congressional Budget Justification
for FY 2011

NUREG-1100, Volume 26



U.S.NRC

United States Nuclear Regulatory Commission

Protecting People and the Environment

February 2010

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Executive Summary

The U.S. Nuclear Regulatory Commission (NRC) is an independent Federal agency established to license and regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment. The NRC has formulated its fiscal year (FY) 2011 Congressional Budget Justification to support the agency's safety and security strategic goals and objectives.

The agency's safety goal is to ensure adequate protection of public health and safety and the environment.

The agency's safety program objective is to prevent the occurrence of any nuclear reactor accidents, inadvertent criticality events, acute radiation exposures, or significant releases of radioactive materials. The security goal is to ensure adequate protection in the secure use and management of radioactive materials and mitigate instances where licensed radioactive materials are used in a hostile manner in the United States.

The NRC continues to perform the critical functions to ensure the safe and secure use of byproduct, source, and special nuclear materials in the United States, and to protect both the public and workers from radiation hazards that could result from the use of radioactive materials. The NRC's principal regulatory functions are to establish regulatory requirements; issue licenses to owners, possessors, and users of nuclear materials; inspect these licensees to ensure they are in compliance with NRC rules and regulations and operate in accordance with their license; and take appropriate enforcement action for violations of regulatory requirements.

The Mission of the Nuclear Regulatory Commission

License and regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment.

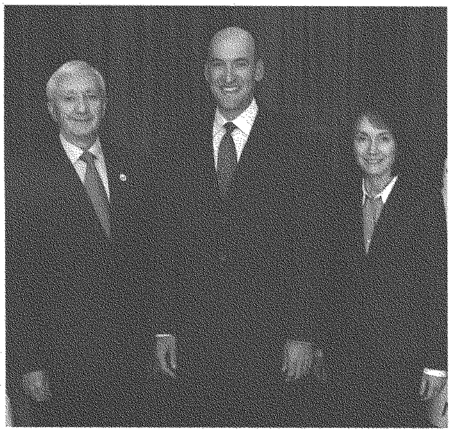
The NRC regulates every aspect of the civilian use of nuclear materials. This includes all of the steps and the facilities involved in the nuclear fuel cycle from extraction of the uranium from ore, conversion of the uranium into a form suitable for enrichment, enrichment of the uranium to a level and type suitable for nuclear fuel, and use of the enriched uranium in fabricating fuel assemblies for use in civilian reactors. The fuel assemblies are used in nuclear reactors and, when no longer efficient for reactor operations, are removed from the reactors and stored as waste.

Over the past 5 years, the agency's workload and resources have significantly increased to accommodate this renewed national interest to expand nuclear energy as a source of electrical power. Nuclear energy produces approximately 20 percent of the electricity generated each year in the United States. In other words, one-fifth of the Nation's electricity is generated by 104 nuclear power reactors, all of which are licensed by the NRC. The NRC's activities have played a critical role in their continued safe and secure operation, as well as the safe and secure expansion of electrical generating capacity. For example, recent increases in production of electrical power from nuclear energy are the result of modifications and power increases (uprates) at existing nuclear units, which the NRC must review and approve through licensing actions. Recent power uprate approvals have safely added the equivalent of five new reactors worth of electrical generating capacity.

Since October 2007, the NRC has received 18 applications for new nuclear power reactors. These applications reference five different reactor designs; the NRC is currently reviewing the design applications for certification. These design certifications will reduce the time required to approve a power reactor license application when a previously certified reactor design is used. If and when new power reactors are brought online, they will substantially increase U.S. electrical generating capacity.

In addition to nuclear power generation, nuclear materials have many other uses in medicine, industry, research, and academia. About one-third of all patients admitted to hospitals are diagnosed or treated using radioactive materials, or radiopharmaceuticals. In addition, radionuclides are used in a number of industrial and commercial applications, including industrial radiography, measuring instruments, well logging, and manufacturing. For example, radiography uses radiation sources to find structural defects in castings and welds. Scientists and academic institutions also use radioactive materials for laboratory research and education. The NRC regulates all aspects of these civilian uses, from acquiring the radioactive material to disposal.

The NRC ensures safety and security by licensing and overseeing nuclear waste and spent fuel storage facilities,



The Commission (left to right): Commissioner Dale E. Klein, Chairman Gregory B. Jaczko, Commissioner Kristine L. Svinicki

certifying storage and transportation containers, responding to events, and through regulating decontamination and decommissioning activities. Additionally, security plans, emergency preparedness, and testing are a major part of the licensing, oversight, and other regulatory activities that provide high assurance of physical security for nuclear facilities and materials. The NRC further enhances its regulatory program through public involvement and coordination and cooperation with other Federal agencies, States and international organizations, and Governments.

OVERVIEW OF THE NRC CONGRESSIONAL BUDGET JUSTIFICATION FOR FY 2011

The NRC's Congressional Budget Justification for Fiscal Year 2011 requests $1,053.6 million (including the budget for the Office of the Inspector General (OIG)). The requested funding provides the necessary resources for the Nuclear Reactor Safety and Nuclear Materials and Waste Safety Programs to carry out the agency's mission and achieve the stated goals and desired outcomes for the American public. The $1,053.6 million includes 4,009.1 full-time equivalents (FTE) and represents a decrease of $13.3 million below the FY 2010 President's Budget.

The OIG's FY 2011 proposed budget of $10.1 million includes resources to carry out the Inspector General's mission to conduct independent and objective audits and investigations to ensure the efficiency, integrity, and effectiveness of NRC programs and operations.

Pursuant to the provisions of the Energy Policy Act of 2005, the NRC's FY 2011 budget provides for 90-percent fee recovery, less appropriations from the Nuclear Waste Fund, and appropriations to implement Section 3166 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 and to conduct generic homeland security activities (see Figure 1).

Accordingly, $915.3 million of the FY 2011 budget will be recovered from fees assessed to NRC licensees. This will result in a net appropriation of $138.3 million, which is a decrease of $16.4 million in net appropriations compared to the FY 2010 enacted. In accordance with the requirements defined in Section 22.6(a) of the Office of Management and Budget Circular A-11, the NRC is providing the full cost of its programs. The full cost includes an allocation of the agency's infrastructure and support costs to specific programs (see Appendix II).

Beginning in FY 2011, the NRC is transitioning to a new program structure that will improve the alignment of payments and their products. The NRC is executing its FY 2010 enacted budget as presented in the FY 2010 Congressional Budget Justification (CBJ). However in order to show workload changes to the prior year in the FY 2011 CBJ, the agency has mapped its FY 2010 enacted resources to the new structure being employed in the proposed FY 2011 budget.

The Nuclear Reactor Safety Program decreases by $2.7 million, but includes an increase of 42.4 FTE; the Nuclear Materials and Waste Safety Program decreases by $9.8 million, including a decrease of 11.5 FTE, when the FY 2011 request is compared to the FY 2010 enacted. This represents an overall NRC budgetary decrease of $13.3 million, including an increase of 28.0 FTE when compared to the FY 2010 enacted (including the budget for the OIG and reimbursable FTE).

Total NRC Budget Authority by Appropriation
(Dollars in Millions)

NRC Appropriations	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Request	FY 2011 Changes from FY 2010
Salaries and Expenses (S&E)				
Budget Authority	1,034.7	1,056	1,043.5	(12.5)
Offsetting Fees	860.9	902.4	906.2	3.8
Net Appropriated S&E	173.8	153.6	137.3	(16.3)
Office of the Inspector General				
Budget Authority	10.9	10.9	10.1	(0.8)
Offsetting Fees	9.8	9.8	9.1	(0.7)
Net Appropriated OIG	1.1	1.1	1.0	(0.1)
Total NRC ($M)				
Budget Authority	1,045.5	1,066.9	1,053.6	(13.3)
Offsetting Fees	870.6	912.2	915.3	3.1
Total Net Appropriated	**$174.9**	**$154.7**	**$138.3**	**$(16.4)**

Numbers may not add due to rounding.

FY 2009 and FY 2010 enacted resources are respectively being executed according to the requirements in the FY 2009 and FY 2010 Appropriation Acts and as outlined in the FY 2009 and FY 2010 Congressional Budget Justifications. FY 2009 and FY 2010 resources are mapped in this table to the FY 2011 budget structure only for comparison.

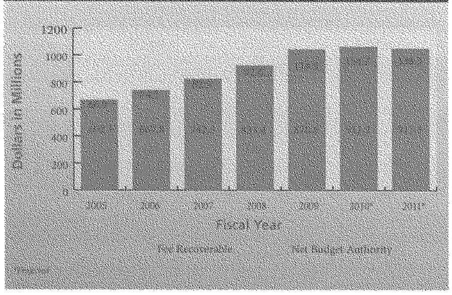
Budget Authority and Full-Time Equivalents

	FY 2009 Enacted		FY 2010 Enacted		FY 2011 Request		FY 2011 Changes from FY 2010	
Major Programs	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**
Operating Reactors	531.6	2,059.8	542.1	2,089.8	531.6	2,086.0	(10.5)	(3.8)
New Reactors	255.3	843.0	264.7	893.8	272.5	940.1	7.8	46.3
Reactor Safety Subtotal	**$786.9**	**2,902.7**	**$806.8**	**2,983.7**	**$804.1**	**3,026.1**	**$(2.7)**	**42.4**
Operating Fuel Facilities	30.8	123.4	34.7	133.2	33.6	132.9	(1.1)	(0.3)
New Fuel Facilities	19.4	77.7	20.0	76.0	21.4	89.6	1.4	13.6
Nuclear Materials Users	85.0	330.3	91.6	338.5	90.7	338.4	(0.9)	(0.1)
Spent Fuel Storage and Transportation	25.3	100.2	36.1	124.1	29.6	119.8	(6.5)	(4.3)
Decommissioning and Low-Level Waste	37.9	143.7	37.8	148.2	36.4	144.7	(1.4)	(3.5)
High-Level Waste Repository	49.2	111.6	29.0	99.0	10.0	32.0	(19.0)	(67.0)
Integrated Spent Fuel Management	0.0	0.0	0.0	0.0	17.7	50.2	17.7	50.2
Materials and Waste Subtotal	**$247.6**	**887.0**	**$249.2**	**919.1**	**$239.4**	**907.6**	**$(9.8)**	**(11.5)**
Inspector General	10.9	58.0	10.9	58.0	10.1	58.0	(0.8)	0.0
Subtotal	**$10.9**	**58.0**	**$10.9**	**58.0**	**$10.1**	**58.0**	**$(0.8)**	**0.0**
Reimbursable FTE		20.7		20.3		17.3		(3.0)
Total	**$1,045.4**	**3,868.4**	**$1,066.9**	**3,981.1**	**$1,053.6**	**4,009.1**	**$(13.3)**	**28.0**

Numbers may not add due to rounding.

FY 2009 and FY 2010 enacted resources are respectively being executed according to the requirements in the FY 2009 and FY 2010 Appropriation Acts and as outlined in the FY 2009 and FY 2010 Congressional Budget Justifications. FY 2009 and FY 2010 resources are mapped in this table to the FY 2011 budget structure only for comparison.

Figure 1 - Net Budget Authority



NUCLEAR REACTOR SAFETY

The Nuclear Reactor Safety Program encompasses NRC efforts to license, regulate, and oversee civilian nuclear power, research, and test reactors in a manner that adequately protects public health and safety, and the environment. This program also provides high assurance of physical security of facilities and protection against radiological sabotage. The program contributes to NRC's safety and security goals through the activities of the Operating Reactors and New Reactors Business Lines that regulate existing and new nuclear reactors to ensure their safe operation and physical security and protection of the environment.

Overall resources requested in the FY 2011 budget for the Nuclear Reactor Safety Program are $804.1 million, including salaries and benefits to support 3,026.1 FTE, travel, and contract support. This funding level represents a decrease of $2.7 million, including an increase of 42.4 FTE, when compared to the FY 2010 enacted.

OPERATING REACTORS

The Operating Reactors Business Line supports the licensing, oversight, rulemaking, research, event response, and international activities associated with the safe and secure operation of 104 civilian nuclear power reactors (see Figure 2), and 32 research and test reactors (RTRs). The FY 2011 budget request for Operating Reactors is $531.6 million, including salaries and benefits to support 2,086.0 FTE, travel, and contract support. This represents a decrease of $10.5 million, including a decrease of 3.8 FTE, from the FY 2010 enacted. Major activities the requested resources will support include the following:

- Technical review of 950 licensing actions, including complex actions such as approximately 23 license amendment requests from power reactor licensees adopting the National Fire Protection Association (NFPA) 805 requirements.
- Review of 13 extended power uprate requests for increasing electric generating capacity, and one improved standard technical specification conversion.

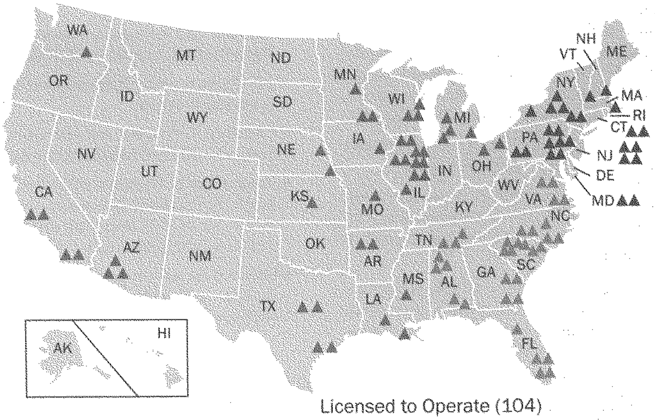
Nuclear Reactor Safety by Business Line
(Dollars in Millions)

					FY 2011			
	FY 2009 Enacted		FY 2010 Enacted		Request		Changes from FY 2010	
Business Line	$M	FTE	$M	FTE	$M	FTE	$M	FTE
Operating Reactors	531.6	2,059.8	542.1	2,089.8	531.6	2,086.0	(10.5)	(3.8)
New Reactors	255.3	843.0	264.7	893.8	272.5	940.1	7.8	46.3
Total	**$786.9**	**2,902.7**	**$806.8**	**2,983.7**	**$804.1**	**3,026.1**	**$(2.7)**	**42.4**

Numbers may not add due to rounding.

FY 2009 and FY 2010 enacted resources are respectively being executed according to the requirements in the FY 2009 and FY 2010 Appropriation Acts and as outlined in the FY 2009 and FY 2010 Congressional Budget Justifications. FY 2009 and FY 2010 resources are mapped in this table to the FY 2011 budget structure only for comparison.

Figure 2 - U.S. Operating Commercial Nuclear Power Reactors



Licensed to Operate (104)

REGION I

CONNECTICUT
- ▲ Millstone 2 and 3

MARYLAND
- ▲ Calvert Cliffs 1 and 2

MASSACHUSETTS
- ▲ Pilgrim 1

NEW HAMPSHIRE
- ▲ Seabrook 1

NEW JERSEY
- ▲ Hope Creek 1
- ▲ Oyster Creek
- ▲ Salem 1 and 2

NEW YORK
- ▲ James A. FitzPatrick
- ▲ Ginna
- ▲ Indian Point 2 and 3
- ▲ Nine Mile Point 1 and 2

PENNSYLVANIA
- ▲ Beaver Valley 1 and 2
- ▲ Limerick 1 and 2
- ▲ Peach Bottom 2 and 3
- ▲ Susquehanna 1 and 2
- ▲ Three Mile Island 1

VERMONT
- ▲ Vermont Yankee

REGION II

ALABAMA
- ▲ Browns Ferry 1, 2, and 3
- ▲ Joseph M. Farley 1 and 2

FLORIDA
- ▲ Crystal River 3
- ▲ St. Lucie 1 and 2
- ▲ Turkey Point 3 and 4

GEORGIA
- ▲ Edwin I. Hatch 1 and 2
- ▲ Vogtle 1 and 2

NORTH CAROLINA
- ▲ Brunswick 1 and 2
- ▲ McGuire 1 and 2
- ▲ Shearon Harris 1

SOUTH CAROLINA
- ▲ Catawba 1 and 2
- ▲ Oconee 1, 2, and 3
- ▲ H.B. Robinson 2
- ▲ Summer

TENNESSEE
- ▲ Sequoyah 1 and 2
- ▲ Watts Bar 1

VIRGINIA
- ▲ North Anna 1 and 2
- ▲ Surry 1 and 2

REGION III

ILLINOIS
- ▲ Braidwood 1 and 2
- ▲ Byron 1 and 2
- ▲ Clinton
- ▲ Dresden 2 and 3
- ▲ La Salle County 1 and 2
- ▲ Quad Cities 1 and 2

IOWA
- ▲ Duane Arnold

MICHIGAN
- ▲ D.C. Cook 1 and 2
- ▲ Fermi 2
- ▲ Palisades

MINNESOTA
- ▲ Monticello
- ▲ Prairie Island 1 and 2

OHIO
- ▲ Davis-Besse
- ▲ Perry 1

WISCONSIN
- ▲ Kewaunee
- ▲ Point Beach 1 and 2

REGION IV

ARKANSAS
- ▲ Arkansas Nuclear 1 and 2

ARIZONA
- ▲ Palo Verde 1, 2, and 3

CALIFORNIA
- ▲ Diablo Canyon 1 and 2
- ▲ San Onofre 2 and 3

KANSAS
- ▲ Wolf Creek 1

LOUISIANA
- ▲ River Bend 1
- ▲ Waterford 3

MISSISSIPPI
- ▲ Grand Gulf

MISSOURI
- ▲ Callaway

NEBRASKA
- ▲ Cooper
- ▲ Fort Calhoun

TEXAS
- ▲ Comanche Peak 1 and 2
- ▲ South Texas Project 1 and 2

WASHINGTON
- ▲ Columbia

- Ongoing review of 13 license renewal applications for nuclear power reactors and license renewal efforts for the RTRs to extend licensees' operating licenses.
- License review associated with modification of the University of Missouri–Columbia Research Reactor (MURR) for the production of the medical isotope Molybdenum (Mo-99), and the licensing of the Babcock and Wilcox Medical Isotope Production System Reactor.
- Review of the RTR High Enriched Uranium/Low Enriched Uranium fuel conversion applications.
- Inspection activities for the existing 104 nuclear power plants, including the component design-basis inspections, fire protection inspections, and generic issue inspections (approximately 100 per year).
- License renewal inspections, and screening of approximately 3,000 national and international operational events with detailed evaluation of 200 of those events for applicability to the Nation's nuclear power industry.
- Resident Inspector Pipeline initiative to maintain an experienced and stable onsite inspection presence of qualified resident inspectors at the 104 nuclear power plants.
- 24 force-on-force (FOF) security inspections to complete the 3-year cycle for inspecting power reactors.
- Evaluate licensee emergency preparedness during biennial exercises that includes assessment of offsite response activities by the Federal Emergency Management Agency.
- Fire safety research to support the transition to a risk-informed, performance-based set of requirements per NFPA 805 and the current licensing basis for plants.

NEW REACTORS

The New Reactors Business Line supports the licensing, oversight, rulemaking, research, and international activities associated with the safe and secure development of new power reactors from design, site approval, and construction to operational status. The FY 2011 budget request for New Reactors is $272.5 million, including salaries and benefits to support 940.1 FTE, travel, and contract support. This represents an increase of $7.8 million, including an increase of 46.3 FTE, from the FY 2010 enacted. Major activities the requested resources will support include the following:

- Review of five nuclear power reactor design certification applications.
- Review of 17 combined license applications consistent with 10 CFR Part 52 and industry's projected plans and schedules.
- Licensing and oversight activities for the construction of Watts Bar Unit 2, under 10 CFR Part 50.
- Development and implementation of the construction inspection program.
- Complete 15 domestic and international vendor inspections of component manufacturing quality.
- Preparation for the review of the next generation nuclear power plant technologies in accordance with the Energy Policy Act of 2005, including small light-water reactor (LWR) and non-LWR reactor designs.
- Research to support development of new reactor plant models, advanced reactors, and homeland security studies such as aircraft impact analyses.

NUCLEAR MATERIALS AND WASTE SAFETY

The Nuclear Materials and Waste Safety Program encompasses NRC efforts to license, regulate, and oversee nuclear materials and waste in a manner that adequately protects public health and safety and the environment. This program provides high assurance of physical security of materials and waste and protection against radiological sabotage, theft, or diversion of nuclear materials. Through this program, the NRC regulates uranium processing and fuel facilities, research and testing facilities, nuclear materials users (medical, industrial, research, academic), spent fuel storage, spent fuel storage casks and transportation packaging, decontamination and decommissioning of facilities, and low-level and high-level radioactive waste. The program contributes to the NRC's safety and security goals through the activities of the following business lines: Operating Fuel Facilities, New Fuel Facilities, Nuclear Materials Users, Spent Fuel Storage and Transportation, Decommissioning and Low-Level Waste, High-Level Waste Repository, and Integrated Spent Fuel Management.

Overall resources requested in the FY 2011 budget for the Nuclear Materials and Waste Safety Program is $239.4 million, including salaries and benefits to support 907.6 FTE, travel, and contract support. This funding level represents a decrease of $9.8 million, including a decrease of 11.5 FTE, when compared to the FY 2010 enacted.

Nuclear Materials and Waste Safety by Business Line

(Dollars in Millions)

					FY 2011			
							Changes from	
	FY 2009 Enacted		FY 2010 Enacted		Request		FY 2010	
Business Line	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**
Operating Fuel Facilities	30.8	123.4	34.7	133.2	33.6	132.9	(1.1)	(0.3)
New Fuel Facilities	19.4	77.7	20.0	76.0	21.4	89.6	1.4	13.6
Nuclear Materials Users	85.0	330.3	91.6	338.5	90.7	338.4	(0.9)	(0.1)
Spent Fuel Storage and Transportation	25.3	100.2	36.1	124.1	29.6	119.8	(6.5)	(4.3)
Decommissioning and Low-Level Waste	37.9	143.7	37.8	148.2	36.4	144.7	(1.4)	(3.5)
High-Level Waste Repository	49.2	111.6	29.0	99.0	10.0	32.0	(19.0)	(67.0)
Integrated Spent Fuel Management	0.0	0.0	0.0	0.0	17.7	50.2	17.7	50.2
Total	**$247.6**	**887.0**	**$249.2**	**919.1**	**$239.4**	**907.6**	**$(9.8)**	**(11.5)**

Numbers may not add due to rounding.

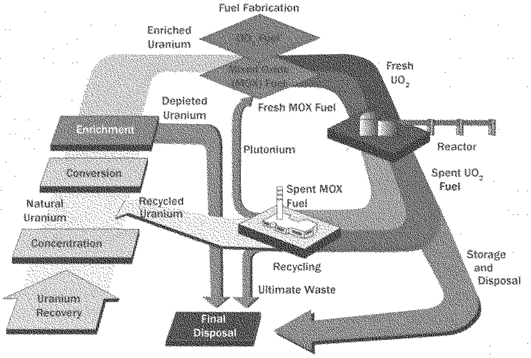
FY 2009 and FY 2010 enacted resources are respectively being executed according to the requirements in the FY 2009 and FY 2010 Appropriation Acts and as outlined in the FY 2009 and FY 2010 Congressional Budget Justifications. FY 2009 and FY 2010 resources are mapped in this table to the FY 2011 budget structure only for comparison.

OPERATING FUEL FACILITIES

The Operating Fuel Facilities Business Line supports the licensing, oversight, rulemaking, and international activities associated with the safe and secure operation of various fuel facilities such as extraction mills; conversion, enrichment, and fuel fabrication facilities; and nuclear fuel research and testing facilities (see Figure 3). The FY 2011 budget request for Operating Fuel Facilities is $33.6 million, including salaries and benefits to support 132.9 FTE, travel, and contract support. This represents a decrease of $1.1 million, including a decrease of 0.3 FTE, from the FY 2010 enacted. Major activities the requested resources will support include the following:

- Licensing and oversight activities associated with the Louisiana Energy Services Expansion, including review of the supplemental environmental impact statement.
- Licensing and oversight activities associated with operating fuel facilities and licensees with greater than critical mass quantities of special nuclear material.
- Operation and maintenance of the Nuclear Material Management and Safeguards System database and the Nuclear Materials Information Program.
- Work on the interagency agreement with the U.S. Department of Energy (DOE) for certification and accreditation of classified computer systems at enrichment facilities.

Figure 3 - The Nuclear Fuel Cycle



- Environmental, emergency preparedness, and licensee performance reviews.
- Inspection oversight, allegations, and enforcement activities.

NEW FUEL FACILITIES

The New Fuel Facilities Business Line supports the licensing, oversight, rulemaking, research, and international activities associated with the safe and secure operation of various new fuel facilities. The FY 2011 budget request for New Fuel Facilities is $21.4 million, including salaries and benefits to support 89.6 FTE, travel, and contract support. This represents an increase of $1.4 million, including an increase of 13.6 FTE, from the FY 2010 enacted. Major activities the requested resources will support include the following:

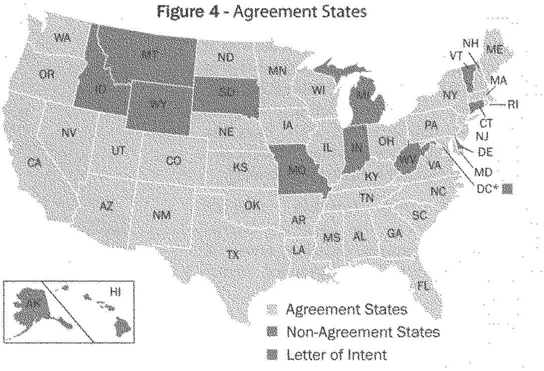
- Licensing, certification, inspection, environmental reviews, research, adjudicatory, enforcement, allegation, and other regulatory activities associated with new fuel facilities, including deconversion, enrichment, and fuel fabrication.
- Review of the application for the AREVA Centrifuge and General Electric-Hitachi Laser Enrichment facilities.
- Review of the International Isotopes depleted uranium deconversion facility.
- Work on the Mixed Oxide (MOX) Fuel Fabrication Facility Safety Evaluation Report and associated hearings.
- Development of the technical basis document to form a basis for rulemakings to prepare for potential reprocessing of spent nuclear fuel.

NUCLEAR MATERIALS USERS

The Nuclear Materials Users Business Line supports the licensing, oversight, rulemaking, research, event response, international, and Agreement State (see Figure 4) activities associated with the safe and secure possession, processing, handling, and many diverse uses of nuclear materials. The FY 2011 budget request for Nuclear Materials Users is $90.7 million, including salaries and benefits to support 338.4 FTE, travel, and contract support. This represents a decrease of $0.9 million, including a decrease of less than one FTE, from the FY 2010 enacted. Major activities the requested resources will support include the following:

- Completion of 2,500 materials licensing actions and 1,220 routine health and safety inspections, including naturally occurring and accelerator-produced radioactive material and security inspections of Agreement State licensees in FY 2011.
- Event evaluation, research, incident response, allegation, enforcement, and rulemaking activities to maintain the regulatory safety and security infrastructure needed to process and handle nuclear materials.
- Materials activities related to Agreement States, including oversight, technical assistance, regulatory development, and cooperative efforts.
- Operation of the National Source Tracking System, a secure, Web-based, nationalized central registry designed to enhance the accountability for radioactive sources.

Figure 4 - Agreement States



* Other Non-Agreement States include major U.S. territories, such as Puerto Rico, Virgin Islands, and Guam.
As of September 30, 2009.

- Development of the Web-Based Licensing System and License Verification System.

SPENT FUEL STORAGE AND TRANSPORTATION

The Spent Fuel Storage and Transportation Business Line supports the licensing, oversight, rulemaking, research, and international activities associated with the safe and secure storage and transportation of spent nuclear fuel. The FY 2011 budget request for Spent Fuel Storage and Transportation is $29.6 million, including salaries and benefits to support 119.8 FTE, travel, and contract support. This represents a decrease of $6.5 million, including a decrease of 4.3 FTE, from the FY 2010 enacted. Resources decrease primarily in the area of research to reflect a shift in resources from the Spent Fuel Storage and Transportation Business Line to support high-priority emergent research work under the Nuclear Materials Users Business Line. Major activities the requested resources will support include the following:

- Licensing of interim storage of spent fuel from commercial nuclear reactors.
- Certification of domestic and international transportation of radioactive materials.
- Inspection of storage cask and transportation package vendors, fabricators, and designers to ensure safety.
- Review of license requests for site-specific independent spent fuel storage installations (ISFSIs), dual purpose (storage and transport) casks, transportation security plans, and route approvals.
- Technical review of approximately 80 transportation package designs and approximately 25 spent fuel storage casks and spent fuel storage facilities to support safe and secure domestic and international transportation, industry needs for full-core offload capability at operating reactor sites, and transfer of spent fuel to ISFSIs to support reactor decommissioning.
- Interaction with the International Atomic Energy Agency (IAEA) and other international regulators to inform the regulatory framework for radioactive material transportation and spent fuel storage.

DECOMMISSIONING AND LOW-LEVEL WASTE

The Decommissioning and Low-Level Waste Business Line supports the licensing, oversight, rulemaking, research, and international activities associated with the safe and secure removal of a nuclear facility from service and reduction of residual radioactivity to a level that permits release of the property and termination of the NRC license, and the disposition of low-level radioactive waste from all civilian sources. The FY 2011 budget request for Decommissioning and Low-Level Waste is $36.4 million, including salaries and benefits to support 144.7 FTE, travel, and contract support. This represents a decrease of $1.4 million, including a decrease of 3.5 FTE, from the FY 2010 enacted due to decrease in the oversight of DOE waste determination activities. Major activities the requested resources will support include the following:

- Technical, safety, and environmental review of uranium recovery facilities.
- Project management and technical reviews for decommissioning activities for 13 power reactors, 10 RTRs, 21 complex materials sites, and 18 inactive uranium recovery facilities, including license termination plans, decommissioning plans, and license amendments.
- Support of interfaces with licensees, applicants, Federal and State agencies, the public, other stakeholders, and Native American Tribal Governments.
- Five environmental reviews and eight safety reviews (hearings included) of uranium recovery facility applications.
- Oversight of certain DOE waste determination activities and plans consistent with the NRC's responsibilities in the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005.

HIGH-LEVEL WASTE REPOSITORY

The High-Level Waste Repository Business Line supports the licensing, oversight, rulemaking, and research activities associated with DOE's Yucca Mountain geologic repository application. The FY 2011 budget request for High-Level Waste Repository is $10.0 million, including salaries and benefits to support 32.0 FTE, travel, and contract support. This represents a decrease of $19.0 million, including a decrease of 67.0 FTE, from the FY 2010 enacted. Major activities the requested resources will support include the following:

- Work related to an orderly closure of the agency's Yucca Mountain licensing support activities such as archiving material, knowledge capture and management, and maintenance of certain electronic systems. Resources will also support closing the adjudicatory aspects upon actual notice of suspension or withdrawal of the license application from Congress or DOE.

The Administration has indicated that it does not support developing a repository at Yucca Mountain, Nevada. Consistent with that position, the DOE may submit to the NRC a motion to withdraw or suspend its Yucca Mountain license application during 2010. The NRC budget request reflects that possibility. Upon the withdrawal or suspension of the licensing review, the NRC would begin an orderly closure of the technical review and adjudicatory activities, and would document the work and insights gained from the review.

INTEGRATED SPENT FUEL MANAGEMENT

Integrated Spent Fuel Management is a new business line in FY 2011. This business line was created to develop regulatory tools, analysis and data needed to evaluate and support future waste management strategies.

The Integrated Spent Fuel Management Business Line will develop the information necessary to inform the agency's regulatory perspectives on waste management options, undertake research, analysis, and modeling efforts to support regulatory development for potential future high-level waste disposal systems, and serve as the agency's point for coordinating and integrating key interdependent work on disposal, extended long-term storage, and other waste management strategies. Major activities the requested resources will support include the following:

- Activities for generic long-term future of waste management that will ensure the adequate protection of public health and safety and the environment. The focus is on the review, investigation, and development of an appropriate licensing regulatory framework that will accommodate alternative geologic disposal or other spent fuel disposal options.
- Development of a flexible performance assessment model for addressing disposal in alternative geological media with different engineered barrier systems and different waste forms.

Overview of the OIG Budget
(Dollars in Millions)

					FY 2011			
	FY 2009 Enacted		FY 2010 Enacted		Request		Changes from FY 2010	
Summary	$M	FTE	$M	FTE	$M	FTE	$M	FTE
Budget Authority by Program								
Program Support	1.870		1.406		0.518		(0.888)	
Program Salaries & Benefits	8.990	58	9.454	58	9.584	58	0.130	0
Total	**$10.860**	**58**	**$10.860**	**58**	**$10.102**	**58**	**$ (0.758)**	**0**

Numbers may not add due to rounding.

OFFICE OF THE INSPECTOR GENERAL

In accordance with the Inspector General Act of 1978, as amended, the OIG's mission is to (1) conduct and supervise independent and objective audits and investigations related to NRC programs and operations, (2) prevent and detect fraud, waste, and abuse, and (3) promote economy efficiency, and effectiveness in NRC programs and operations. OIG carries out its mission through its Audits and Investigations Programs. The NRC OIG Strategic Plan for FYs 2008-2013 provides the framework for the work that OIG will undertake over the planning period. The OIG Strategic Plan features three goals that guide the activities of its Audits and Investigations Programs and generally align with the agency's mission:

OIG STRATEGIC GOALS

- Strengthen the NRC's efforts to protect public health and safety and the environment.
- Enhance the NRC's efforts to increase security in response to an evolving threat environment.
- Increase the economy, efficiency, and effectiveness with which the NRC manages and exercises stewardship over its resources.

OIG's proposed FY 2011 budget is $10.102 million, including 58 FTE. In accordance with Office of Management and Budget (OMB) requirements, OIG is providing the full cost of its programs in that the budget identifies OIG's management and operational support costs and distributes these costs proportionately to the Audits and Investigations Programs.

AUDITS PROGRAM

With these resources, the Audits Program will conduct approximately 25 audits and evaluations. OIG will continue its planned audits of the NRC's nuclear reactor safety programs. For FY 2011, the Audits Program will focus on agency programs involving the major management challenges and risk areas facing the NRC, including agency programs in the New Reactors and Spent Fuel Storage and Transportation Business Lines. Areas for OIG audit emphasis in FY 2011 include the following:

- NRC oversight of the existing licensed commercial nuclear reactors.
- NRC oversight of vendor material used in the construction of new reactor plants.
- NRC oversight of the security and safety of nuclear materials.
- NRC actions to secure sensitive information, technology, and databases.
- The NRC's regulatory activities involving the interim storage of high-level waste and spent fuel both at and away from the reactor facilities.

OIG will also conduct other performance audits to review the NRC's administrative and program operations and evaluate the effectiveness and efficiency with which managerial responsibilities are carried out and whether the programs achieve intended results. The office will also conduct financial audits to evaluate the agency's financial programs.

INVESTIGATIONS PROGRAM

The Investigations Program will conduct approximately 60 investigations and Event Inquiries. Areas for OIG investigative emphasis in FY 2011 include the following:

- Monitoring of NRC activities and gathering stakeholder information to identify potential gaps in the NRC Reactor Oversight Process.
- Reviewing NRC and licensee reports and engaging interested stakeholders to identify issues of concern in NRC oversight of nuclear material held by NRC licensees.
- Examining efforts made by the NRC to address stakeholder concerns regarding low-level and high-level waste storage issues.
- Addressing the NRC's efforts to provide oversight of licensee responsibilities in effectively securing licensed facilities and nuclear materials.
- Conducting investigations into internal and external cyber breaches of the NRC's information technology infrastructure.
- Examining allegations of misuse of the NRC's corporate management resources, including personnel, procurement, financial, and information technology.

The office also conducts proactive investigations when indications are raised concerning potentially systematic violations such as theft of Government property or contract fraud. In addition, OIG periodically conducts Event Inquiries that identify staff actions that may have contributed to the occurrence of an event.

Introduction

Relationship of Programs to Strategic Goals

As the Nation's principle regulatory authority that provides authoritative guidance and direction on the safe and secure use of nuclear materials, the NRC has structured its programs in order to accomplish its responsibilities and achieve strategic goals most effectively. The NRC is transitioning to a new program structure that will improve the alignment of programs and their products and increases transparency. This new program structure will result in improved financial information available for program execution management and support of budget formulation. The following section outlines the relationship of the new program structure to the agency's strategic goals and outlines the structure as it will be implemented for fiscal year (FY) 2011.

RELATIONSHIP OF PROGRAM STRUCTURE TO STRATEGIC GOALS

The program structure and new business and product line approach is designed to more transparently implement strategies for achieving the agency's strategic goals. Enveloping each activity or product are the overriding goals for the safe and secure civilian use of byproduct, source, and special nuclear material that are paramount to the NRC's regulatory purpose. Thus, the outcomes that the NRC strives to achieve are focused on public safety and security, as are the performance measures the NRC uses for each activity to assess its impact in achieving positive outcomes for the public.

The NRC's program structure is designed to support the strategies to achieve the agency's strategic goals of safety and security.

The following is a brief outline of the NRC's strategic goals, strategic outcomes, major programs, business and product lines, and their interrelationship (see Figure 5). The NRC Strategic Plan identifies the agency's strategic goals of safety and security and their related strategic outcomes in pursuit of the NRC's regulatory mission. The product lines and their activities directly relate to the strategies and the means to support those strategies. The output measures associated with each activity gauge how well the NRC is doing in executing the strategies, which in turn enables assessment of the NRC's impact on strategic outcomes. Individual output measures will be reviewed and possibly revised if needed to reflect this new budget structure.

Strategic Goals: The NRC's safety and security strategic goals, as well as their associated strategic outcomes, describe the agency's core functions. These goals are in direct support of the NRC's mission to protect public health and safety, protect the environment, and ensure security of nuclear materials. The FY 2011 NRC Congressional Budget Justification provides for the programs and resources necessary for the agency to continue to achieve its stated mission, goals, and desired outcomes. The NRC strategic goals are the following:

Safety Goal: Ensure adequate protection of public health and safety and the environment

Security Goal: Ensure adequate protection in the secure use and management of radioactive materials

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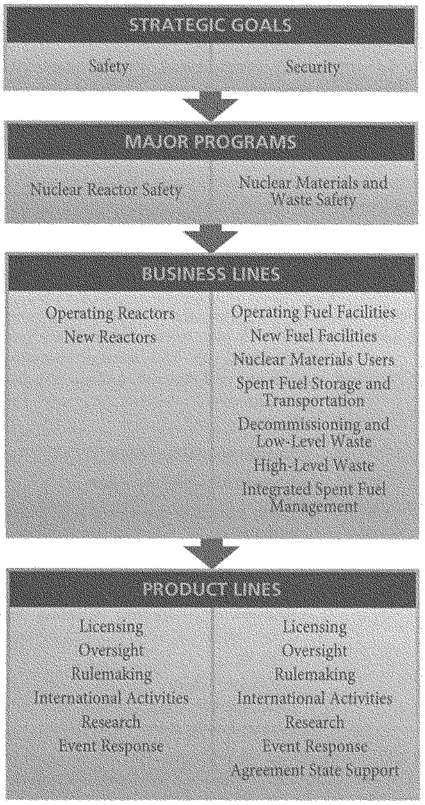
Activities are planned and executed to achieve the strategic outcomes associated with the safety and security goals (see Figure 6). The strategic outcomes associated with the safety and security goals are to prevent the occurrence of any of the following:

- Nuclear reactor accidents
- Inadvertent criticality events
- Acute radiation exposures resulting in fatalities
- Releases of radioactive materials that result in significant radiation exposures
- Releases of radioactive materials that cause significant adverse environmental impacts
- Instances where licensed radioactive materials are used domestically in a manner hostile to the United States

The NRC has identified the organizational excellence objectives of openness, effectiveness, and operational excellence. These objectives characterize the manner in which the agency intends to achieve its safety and security goals.

The NRC plans and executes programs and activities as it strives to achieve the strategic outcomes of the safety and security goals.

Figure 5



Major Programs: The NRC formulates and executes its budget through two major programs that most efficiently and effectively carry out the NRC mission, group NRC activities for efficient management, achieve the intended outcomes of the safety and security goals, and manage and measure performance. There are safety and security components within each major program. The major programs are:

- ▸ Nuclear Reactor Safety
- ▸ Nuclear Materials and Waste Safety

Business Lines: The business lines are logical subdivisions of the major programs that identify key regulatory groups of licensees. The Nuclear Reactor Safety Program contains the following business lines:

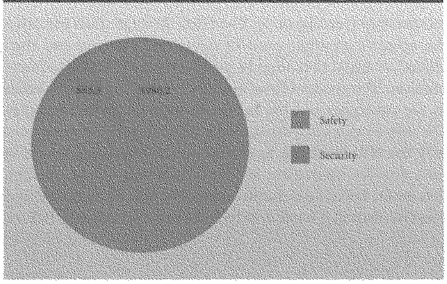
- ▸ Operating Reactors
- ▸ New Reactors

The Nuclear Materials and Waste Safety Program contains the following business lines:

- ▸ Operating Fuel Facilities
- ▸ New Fuel Facilities
- ▸ Materials Users
- ▸ Spent Fuel Storage and Transportation
- ▸ Decommissioning and Low-Level Waste
- ▸ High-Level Waste Repository
- ▸ Integrated Spent Fuel Management

Product Lines: Each business line is divided into product lines that identify major categories of activities or the means

Figure 6 - Alignment of Resources to NRC Goals (Dollars in Millions)



by which the NRC will execute its regulatory responsibilities. NRC output measures are associated with each of the following product lines:

- **Licensing:** Licensing is the activity by which the NRC authorizes (i.e., licenses) a company, organization, institution, individual, or other civilian entity (i.e., licensee) to construct or operate a nuclear facility; to conduct operations involving the emission of radiation; or to receive, possess, use, transfer, or dispose of source, byproduct, or special nuclear material. Additionally, it is the process by which the NRC decommissions facilities and terminates licenses, and certifies reactor designs, storage and transportation containers. This activity also includes requests to modify previously issued licenses. Licensing applies to all NRC business lines.
- **Oversight:** Oversight is the activity by which the NRC ensures that licensees operate in accordance with the requirements of their licenses, regulations, and statutes. The NRC ensures this compliance through continual oversight of the safe and secure operations of nuclear facilities and the possession, use, and disposal of source, byproduct, or special nuclear material. Oversight is conducted through inspections, assessment of performance, enforcement actions, allegations review, and investigations. Oversight applies to all NRC business lines.
- **Rulemaking:** Rulemaking is the activity by which the NRC develops rules, regulations, and guidance that serve as the authoritative regulatory basis for applicants and licensees. The NRC maintains a framework of rules, regulations, guidance, generic communications, and standard review plans that require and promote licensee compliance with underlying safety principles and security requirements. Rulemaking applies to all NRC business lines. Rulemaking associated with licensing actions are described above with the Licensing Business Line.
- **International Activities:** International Activities are the means by which the NRC engages in coordination and cooperation with multinational organizations and foreign countries. This activity promotes best practices worldwide in realizing safety and security goals to control import and export of nuclear materials and equipment, to comply with treaties and agreements, and to assist decision making, awareness, and responses to emerging technical issues. International Activities apply to all NRC business lines.
- **Research:** Research is the activity by which the NRC obtains technical advice, confirmatory research, tools, results of specific research, and information from other research or academic sources. These activities allow the NRC to provide independent expertise to make timely regulatory decisions, anticipate problems of potential safety significance, identify and resolve safety issues, and promulgate regulations and guidance. Research varies with workload priorities but generally applies to all NRC business lines.
- **Event Response:** Event Response is the activity that enables the NRC to respond effectively to nuclear events at its licensee sites or other locations involving nuclear materials. An effective response ensures that adequate protective measures are being taken to prevent or mitigate damage to facilities and minimize possible radiation exposure of members of the public or facility workers. Event Response applies to the Operating Reactors and Nuclear Materials Users Business Lines.
- **Agreement State Support:** Agreement State Support is the activity by which the NRC executes Section 274 of the Atomic Energy Act of 1954, as amended, whereby the NRC relinquishes to a State, by written agreement, portions of its regulatory authority to license and regulate byproduct, source, and certain quantities of special nuclear material. The NRC continually provides assistance and support to these Agreement States, including processing Agreement State incidents/events, coordinating State participation in regulation development and training courses, and responding to State technical assistance requests, allegations, etc. Agreement State Support only applies to the Nuclear Materials Users Business Line.

Figure 7 illustrates the changes between the FY 2010 and FY 2011 NRC program structures.

Figure 7

FY 2010		FY 2011
Major Programs	---------->	Major Programs
Sub-Programs	---------->	Business Lines
Major Drivers	---------->	Product Lines

Appropriations Legislation

The NRC's proposed appropriations legislation for FY 2011 is as follows:

SALARIES AND EXPENSES

For necessary expenses of the Commission in carrying out the purposes of the Energy Reorganization Act of 1974, as amended, and the Atomic Energy Act of 1954, as amended, including official representation expenses (not to exceed $25,000), $1,043,483,000, to remain available until expended: Provided, That of the amount appropriated herein, $10,000,000 shall be derived from the Nuclear Waste Fund: Provided further, That revenues from licensing fees, inspection services, and other services and collections estimated at $906,220,000 in FY 2011 shall be retained and used for necessary salaries and expenses in this account, notwithstanding 31 U.S.C. 3302, and shall remain available until expended: Provided further, That the sum herein appropriated shall be reduced by the amount of revenues received during FY 2011 so as to result in a final FY 2011 appropriation estimated at not more than $137,263,000.

OFFICE OF THE INSPECTOR GENERAL

For necessary expenses of the Office of the Inspector General in carrying out the provisions of the Inspector General Act of 1978, as amended, $10,102,000 to remain available until September 30, 2012: Provided, That revenues from licensing fees, inspection services, and other services and collections estimated at $9,092,000 in FY 2011 shall be retained and be available until expended, for necessary salaries and expenses in this account, notwithstanding 31 U.S.C. 3302: Provided further, That the sum herein appropriated shall be reduced by the amount of revenues received during FY 2011 so as to result in a final FY 2011 appropriation estimated at not more than $1,010,000.

ANALYSIS OF PROPOSED FY 2011 APPROPRIATIONS LEGISLATION

The analysis of the NRC's proposed appropriations legislation for FY 2011 is as follows:

SALARIES AND EXPENSES

1. FOR NECESSARY EXPENSES OF THE COMMISSION IN CARRYING OUT THE PURPOSES OF THE ENERGY REORGANIZATION ACT OF 1974, AS AMENDED, AND THE ATOMIC ENERGY ACT OF 1954, AS AMENDED:

42 U.S.C. 5841 et seq.

The NRC was established by the Energy Reorganization Act of 1974, as amended (42 U.S.C. 5801 et seq.). This act abolished the Atomic Energy Commission (AEC) and transferred to the NRC all of the AEC's licensing and related regulatory functions. These functions included those of the Atomic Safety and Licensing Board Panel and the Advisory Committee on Reactor Safeguards; responsibilities for licensing and regulating nuclear facilities and materials; and conducting research for the purpose of confirmatory assessment related to licensing, regulation, and other activities, including research related to nuclear materials safety and regulation under the provisions of the Atomic Energy Act of 1954, as amended (42 U.S.C. 2011 et seq.).

2. INCLUDING OFFICIAL REPRESENTATION EXPENSES:

47 Comp. Gen. 657, 43 Comp. Gen. 305

This language is required because of the established rule restricting an agency from charging appropriations with the cost of official representation unless the appropriations involved are specifically available for such purpose. Congress has appropriated funds for official representation expenses to the NRC and its predecessor, the AEC, each year since FY 1950.

3. TO REMAIN AVAILABLE UNTIL EXPENDED:

31 U.S.C. 1301 provides that no regular, annual appropriation shall be construed to be permanent or available continuously unless the appropriation expressly provides that it is available after the fiscal year covered by the law in which it appears.

4. SHALL BE DERIVED FROM THE NUCLEAR WASTE FUND:

42 U.S.C. 10131(b)(4) provides for the establishment of a Nuclear Waste Fund to ensure that the costs of carrying out activities relating to the disposal of high-level radioactive waste and spent nuclear fuel will be borne by the persons responsible for generating such waste and spent fuel.

42 U.S.C. 10222(a)(4) provides that the amount of fees paid into the Nuclear Waste Fund by generators or owners of such waste and spent fuel shall be reviewed annually to determine if any adjustments are needed to ensure full cost recovery.

42 U.S.C. 10134 specifically requires the NRC to consider an application for a repository for the disposal of high-level radioactive waste and spent nuclear fuel and sets forth certain licensing procedures. 42 U.S.C. 10133 also assigns review responsibilities to the NRC in the steps leading to submission of the license application. Thus, the Nuclear Waste Policy Act of 1982, as amended, establishes the NRC's responsibility throughout the repository siting process, culminating in the requirement for NRC licensing as a prerequisite to construction and operation of the repository.

42 U.S.C. 10222(d) specifies that expenditures from the Nuclear Waste Fund can be used for purposes of radioactive waste disposal activities, including identification, development, licensing, construction, operation, decommissioning, and post-decommissioning maintenance and monitoring of any repository constructed under the Nuclear Waste Policy Act of 1982, and for administrative costs of the high-level radioactive waste disposal program.

5. REVENUES FROM LICENSING FEES, INSPECTION SERVICES, AND OTHER SERVICES AND COLLECTIONS SHALL BE RETAINED AND USED FOR NECESSARY SALARIES AND EXPENSES IN THIS ACCOUNT, NOTWITHSTANDING 31 U.S.C. 3302, AND SHALL REMAIN AVAILABLE UNTIL EXPENDED:

Under Title V of the Independent Offices Appropriation Act of 1952, the NRC is authorized to collect license fees. Pursuant to 31 U.S.C. 9701, any person who receives a service or thing of value from the Commission shall pay fees to cover the NRC's cost in providing such service or thing of value.

Pursuant to 42 U.S.C. 2214, the NRC is required to assess and collect annual charges from NRC licensees and certificate holders, with the exception of the holders of any license for a Federally owned research reactor used primarily for educational training and academic research purposes. In accordance with amendments to 42 U.S.C. 2214, enacted in the Energy Policy Act of 2005, and this appropriations request, the aggregate annual amount of such charges shall approximate 90 percent of the Commission's budget authority, less any amount appropriated to the Commission from the Nuclear Waste Fund, funds appropriated to implement Section 3116 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, and amounts appropriated to the Commission for generic homeland security activities.

Section 3116 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, Public Law (P.L.) 108-375, assigns new responsibilities to NRC for waste determinations and monitoring of waste disposal actions for material stored at the U.S. Department of Energy (DOE) sites in South Carolina and Idaho. Section 3116(b)(4) requires that, beginning with the FY 2006 budget, the Commission include in its budget justification materials submitted to Congress the amounts required, not offset by revenues, for performance of its responsibilities under Section 3116. The $524,000 requested to implement Section 3116 is excluded from NRC's fee recovery requirements.

Section 637 of the Energy Policy Act of 2005, P.L. 109-190, modifies NRC's user fee legislation in 42 U.S.C. 2214 to exclude from license fee recovery the amounts appropriated to the Commission for homeland security activities, except for reimbursable costs of fingerprinting and background checks and the costs of conducting security inspections. The $26,048,000 requested for generic homeland security activities is excluded from NRC's fee recovery requirements.

The aggregate amount of license fees and annual charges to be collected for FY 2011 approximates 90 percent of the Commission's budget authority, less the amount requested to be derived from the Nuclear Waste Fund, the amount requested to implement Section 3116 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, and amounts requested for generic homeland security activities pursuant to Section 637 of P.L. 109-190.

31 U.S.C. 3302 requires the NRC to deposit all revenues collected to miscellaneous receipts of the Treasury unless specifically authorized by law to retain and use such revenues.

6. THE SUM HEREIN APPROPRIATED SHALL BE REDUCED BY THE AMOUNT OF REVENUES RECEIVED:

Pursuant to 42 U.S.C. 2214, the NRC is required to assess and collect annual charges from NRC licensees and certificate holders, with the exception of the holders of any license for a Federally owned research reactor used primarily for educational training and academic research purposes. In accordance with amendments to 42 U.S.C. 2214, enacted in the Energy Policy Act of 2005, and this appropriations request, the aggregate annual amount of such charges shall approximate 90 percent of the Commission's budget authority, less any amount appropriated to the Commission from the Nuclear Waste Fund, funds appropriated to implement Section 3116 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, and amounts appropriated to the Commission for generic homeland security activities.

OFFICE OF THE INSPECTOR GENERAL

7. FOR NECESSARY EXPENSES OF THE OFFICE OF THE INSPECTOR GENERAL IN CARRYING OUT THE PROVISIONS OF THE INSPECTOR GENERAL ACT OF 1978, AS AMENDED:

P. L. 95-452, 5 U.S.C. app., as amended by P. L. 100-504

P. L. 100-504 amended P. L. 95-452 to establish an Office of the Inspector General in the NRC effective April 17, 1989, and to require the establishment of a separate appropriation account to fund the Office of the Inspector General.

8. TO REMAIN AVAILABLE UNTIL SEPTEMBER 30, 2012:

31 U.S.C. 1301 provides that no regular, annual appropriation shall be construed to be permanent or available continuously unless the appropriation expressly provides that it is available after the fiscal year covered by the law in which it appears.

9. REVENUES FROM LICENSING FEES, INSPECTION SERVICES, AND OTHER SERVICES AND COLLECTIONS SHALL BE RETAINED AND BE AVAILABLE UNTIL EXPENDED FOR NECESSARY SALARIES AND EXPENSES IN THIS ACCOUNT, NOTWITHSTANDING 31 U.S.C. 3302:

Under Title V of the Independent Offices Appropriation Act of 1952, the NRC is authorized to collect license fees. Pursuant to 31 U.S.C. 9701, any person who receives a service or thing of value from the Commission shall pay fees to cover the NRC's cost in providing such service or thing of value.

Pursuant to 42 U.S.C. 2214, the NRC is required to assess and collect annual charges from NRC licensees and certificate holders, with the exception of the holders of any license for a federally owned research reactor used primarily for educational training and academic research purposes. In accordance with amendments to 42 U.S.C. 2214, enacted in the Energy Policy Act of 2005, and this appropriations request, the aggregate annual amount of such charges approximate 90 percent of the Commission's budget authority, less any amount appropriated to the Commission from the Nuclear Waste Fund, funds appropriated to implement Section 3116 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, and amounts appropriated to the Commission for generic homeland security activities.

31 U.S.C. 3302 requires the NRC to deposit all revenues collected to miscellaneous receipts of the Treasury unless specifically authorized by law to retain and use such revenue.

10. THE SUM HEREIN APPROPRIATED SHALL BE REDUCED BY THE AMOUNT OF REVENUES RECEIVED:

Pursuant to 42 U.S.C. 2214, the NRC is required to assess and collect annual charges from NRC licensees and certificate holders, with the exception of the holders of any license for a federally owned research reactor used primarily for educational training and academic research purposes. In accordance with amendments to 42 U.S.C. 2214, enacted in the Energy Policy Act of 2005, and this appropriations request, the aggregate annual amount of such charges approximate 90 percent of the Commission's budget authority, less any amount appropriated to the Commission from the Nuclear Waste Fund, funds appropriated to implement Section 3116 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, and amounts appropriated to the Commission for generic homeland security activities.

Nuclear Reactor Safety

Safety Goal: Ensure adequate protection of public health and safety and the environment.

Security Goal: Ensure adequate protection in the secure use and management of radioactive materials.

The Nuclear Reactor Safety Program encompasses NRC efforts to ensure that civilian nuclear power reactors and Research and Test Reactors (RTR) are licensed and operated in a manner that adequately protects public health and safety, protects the environment, and provides high assurance of the physical security of reactor facilities. This program contributes to the NRC's safety and security goals through activities of the Operating Reactors and New Reactors Business Lines that license and regulate existing and new nuclear reactors to ensure their safe operation and physical security. The public benefits because this program substantially impacts public safety and security outcomes in the operation of civilian reactors. The Atomic Energy Act of 1954, as amended, the Energy Reorganization Act of 1974, as amended, and the Energy Policy Act of 2005 are the foundations for the NRC regulation of the Nation's civilian nuclear power industry.

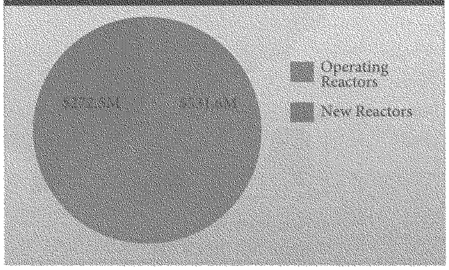
All civilian nuclear power, research and test reactors must be licensed by the NRC and adhere to NRC regulations.

These efforts include new and advanced reactor activities, reactor licensing (including power uprates, license transfers, licensing of reactor operators, regulation development, and financial assurance), rulemaking, reactor license renewal, reactor oversight (including operating experience evaluation, security, emergency preparedness and incident response, force-on-force (FOF) inspections, safeguards and security reviews and regulatory infrastructure improvement, and coordination with other Federal, State and local officials), reactor technical and regulatory training, imposition of enforcement sanctions for violations of NRC requirements, investigation of alleged wrongdoing (licensees, applicants, contractors, or vendors), reactor regulatory research, homeland security activities (including threat assessment), and international efforts to enhance domestic and global nuclear safety.

In order to operate, all civilian nuclear power reactors and RTRs must be licensed by the NRC and adhere to NRC regulations. Operating reactors are regulated in 10 CFR Part 50, "Domestic Licensing of Production and Utilization Facilities." Operating Reactors Business Line activities focus on licensing, monitoring, and regulating existing reactors, which primarily includes license renewals and changes, inspections, and monitoring. New reactors are regulated under 10 CFR Part 52, "Licenses, Certifications, and Approvals for Nuclear Power Plants," which provides for the issuance of a combined license (i.e., issuance of a construction permit and operating license simultaneously) and permits early resolution of safety and environmental issues. New Reactors Business Line activities focus on the approval of new reactor designs, building sites, construction, and construction inspections and ultimately result in licensing new reactors to operate.

Nuclear security is also a priority for the NRC. For the last several decades, effective NRC regulation and strong partnerships with a variety of Federal, State, and local authorities have ensured security at civilian nuclear reactors across the country, especially power reactors. In fact, nuclear power plants likely represent the best protected private sector facilities in the United States, but the NRC recognizes the need for continuous improvement to ensure the safety and security of nuclear power plants. In recent years, the NRC has undertaken comprehensive enhancements to bolster the security of our Nation's nuclear facilities and radioactive materials.

Figure 8 - Nuclear Reactor Safety
(Total $804.1M)



Nuclear Reactor Safety by Business Line
(Dollars in Millions)

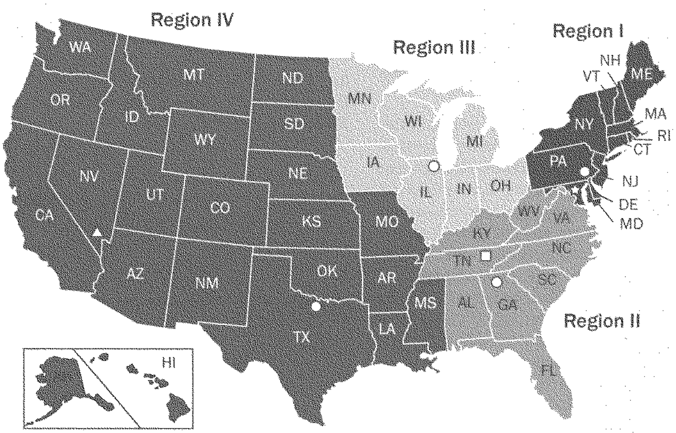
					FY 2011			
	FY 2009 Enacted		FY 2010 Enacted		Request		Changes from FY 2010	
Business Line	$M	FTE	$M	FTE	$M	FTE	$M	FTE
Operating Reactors	531.6	2,059.8	542.1	2,089.8	531.6	2,086.0	(10.5)	(3.8)
New Reactors	255.3	843.0	264.7	893.8	272.5	940.1	7.8	46.3
Total	**$786.9**	**2,902.7**	**$806.8**	**2,983.7**	**$804.1**	**3,026.1**	**($2.7)**	**42.4**

Numbers may not add due to rounding.

FY 2009 and FY 2010 enacted resources are respectively being executed according to the requirements in the FY 2009 and FY 2010 Appropriation Acts and as outlined in the FY 2009 and FY 2010 Congressional Budget Justifications. FY 2009 and FY 2010 resources are mapped in this table to the FY 2011 budget structure only for comparison.

Program Resource Summary: The FY 2011 proposed budget request for the Nuclear Reactor Safety Program is $804.1 million, which includes $347.8 million in contract support and travel and $456.3 million in salaries and benefits to support 3,026.1 full-time equivalents (FTE). Resources fund activities in the Operating Reactors and New Reactors Business Lines (see Figure 8). This represents a decrease of $2.7 million, including an increase of 42.4 FTE, from the FY 2010 Enacted levels.

Figure 9 - NRC Regions



☆ Headquarters (1)
○ Regional Office (4)
□ Technical Training Center (1)
△ High-Level Waste Management Office (1)

Operating Reactors
(Dollars in Millions)

					FY 2011			
	FY 2009 Enacted		FY 2010 Enacted		Request		Changes from FY 2010	
Product Line	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**
Licensing	108.9	545.3	111.0	565.2	104.4	548.1	(6.6)	(17.1)
Oversight	140.0	814.1	140.4	807.2	144.9	829.2	4.5	22.0
Rulemaking	18.3	68.3	16.2	63.3	13.9	59.0	(2.3)	(4.3)
International Activities	8.7	30.4	8.8	30.2	8.5	31.3	(0.3)	1.1
Research	65.1	158.4	67.3	160.4	63.6	158.7	(3.7)	(1.7)
Event Response	15.7	54.9	13.2	54.2	14.4	58.5	1.2	4.3
Subtotal	**$356.7**	**1,671.4**	**$356.9**	**1,680.5**	**$349.7**	**1,684.8**	**($7.2)**	**4.3**
Corporate Support	175.0	388.4	185.2	409.2	181.9	401.2	(3.3)	(8.1)
Total	**$531.6**	**2,059.8**	**$542.1**	**2,089.8**	**$531.6**	**2,086.0**	**($10.5)**	**(3.8)**

Numbers may not add due to rounding.

FY 2009 and FY 2010 enacted resources are respectively being executed according to the requirements in the FY 2009 and FY 2010 Appropriation Acts and as outlined in the FY 2009 and FY 2010 Congressional Budget Justifications. FY 2009 and FY 2010 resources are mapped in this table to the FY 2011 budget structure only for comparison.

OPERATING REACTORS

The Operating Reactors Business Line encompasses the regulation of 104 power reactors and 32 civilian RTRs in a manner that adequately protects the health and safety of the public, protects the environment, and provides high assurance of physical security. Under the NRC's regulatory oversight process primarily implemented by the four NRC Regions (see Figure 9) the amount of electrical power generated from the 104 domestic nuclear power plants is approximately 20 percent of the Nation's electrical production. For more than 40 years, the NRC's continued regulation of these reactors has led to an outstanding national safety record with no injuries, adverse health effects, or loss of life from any of the NRC-licensed plants. Operating Reactors Business Line directly supports safety and security goals and all associated performance measures and outcomes. The NRC establishes regulatory requirements for the design, construction, operation, and security of nuclear power plants and RTRs in accordance with the provisions of the Atomic Energy Act of 1954, as amended.

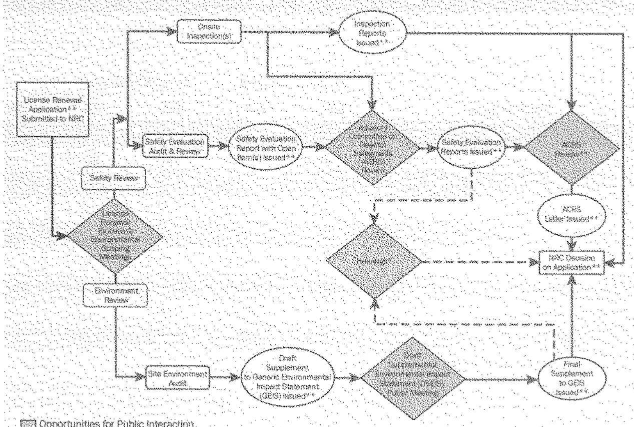
Through Operating Reactors Business Line activities, the NRC ensures the fundamental tenets of its Safety and Security goals in protecting both the public and workers from the radiation hazards of nuclear reactors. To ensure plants are operating safely within these requirements, the NRC licenses the plants to operate, licenses the personnel who operate the plants, and establishes technical specifications for the operation of each plant. Operating Reactors Business Line establishes nuclear safety policy through rulemaking and research efforts, enforcement, and international activities. The NRC provides continuing oversight of civilian nuclear reactors and verification of operator adherence to NRC rules and regulations.

The Operating Reactors Business Line encompasses the regulation of 104 power and 32 research and test nuclear reactors.

The NRC has undertaken comprehensive enhancements to bolster the security of our Nation's nuclear facilities. Nuclear power plants must be able to defend successfully against a set of hypothetical threats that the agency refers to as the design-basis threat. These hypothetical threats challenge a plant's physical, personnel, and cyber security. The agency continuously evaluates this set of hypothetical threats against real-world intelligence to ensure the agency remains current and prepared.

The budgetary resources will enable the NRC to continue licensing and regulatory activities to ensure the safe and secure operation of these civilian nuclear reactors. The NRC has organized Operating Reactors Business Line activities into product lines that best support safety and security strategies that impact strategic outcomes as they relate to existing civilian reactors. The resources requested support all aspects of Operating Reactors Business Line within the following six product lines: Licensing, Oversight, Rulemaking, International Activities, Research, and Event Response. The outputs of these product line activities contribute to progress on the NRC Safety and Security performance measures and their contribution to achievement of the strategic outcomes.

Figure 10 - License Renewal Process


License Renewal Application** Submitted to NRC
Onsite Inspection(s)
Inspection Reports Issued**
Safety Evaluation Audit & Review
Safety Evaluation Report with Open Item(s) Issued**
Advisory Committee on Reactor Safeguards (ACRS) Review
Safety Evaluation Reports Issued**
ACRS Review**
Safety Review
License Renewal Process & Environmental Scoping Meetings
ACRS Letter Issued**
Hearings*
NRC Decision on Application**
Environment Review
Site Environment Audit
Draft Supplement to Generic Environmental Impact Statement (GEIS) Issued**
Draft Supplemental Environmental Impact Statement (DSEIS) Public Meeting
Final Supplement to GEIS Issued**

▨ Opportunities for Public Interaction
* If a request for a hearing is granted
** Available at www.nrc.gov

LICENSING

Strategic Goal Strategies Supported

Safety - Develop, maintain, and implement licensing and regulatory programs for reactors.

Security - Review security plans and changes for consistency with security requirements.

Workload

For FY 2011, the NRC requests $104.4 million, including 548.1 FTE, to provide for licensing activities. This represents a funding decrease of $6.6 million, including 17.1 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Licensing Product Line supports licensing activities, which are the methods the NRC employs to confirm that nuclear reactor licensee requests for license renewals and changes provide an adequate margin of safety and security consistent with the NRC's rules and regulations. The NRC licenses civilian nuclear power reactors and RTRs to ensure they are operated in a manner that adequately protects the health and safety of the public, protects the environment, and provides high assurance of physical security. After the NRC grants the initial license to a power plant owner, the license may be amended, renewed, transferred, or otherwise modified as a result of commercial or research life cycle needs. Since the NRC controls any change to a nuclear plant license or the technical specifications of the power plant, the license may only be changed after the licensee demonstrates that the proposed new configuration (e.g., changes made to safety systems, components, security requirements) remains safe and secure and that measures continue to be in place to protect the health and safety of the public. The NRC's review of the licensee's request confirms that the proposed changes provide an adequate margin of safety consistent with the agency's rules and regulations.

Operating power reactor licensing actions are defined as orders, license amendments, exemptions from regulations,

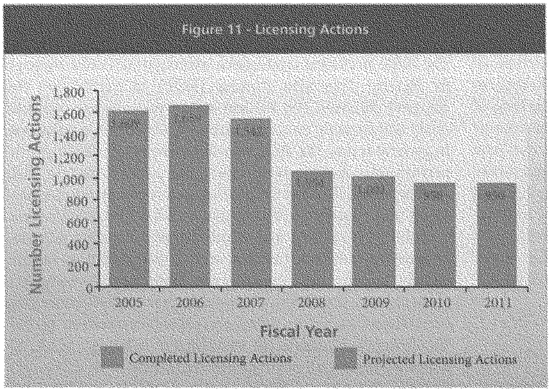


Figure 11 - Licensing Actions

relief from inspection or surveillance requirements, topical reports submitted on a plant-specific basis, notices of enforcement discretion, or other actions requiring NRC review and approval before they can be implemented by licensees. Two major subsets of licensing actions are license renewals and power uprates. In the licensing task of license renewals, the NRC evaluates the safety and security of extending an operating reactor license for an additional 20 years beyond the initial 40-year license. The NRC designed the licensing renewal application process to assess whether a reactor can continue to be operated safely during an extended period and to verify that the potential impacts of an extended operation on the environment will not preclude a license renewal (see Figure 10). Power uprate requests involve the staff's evaluation of allowing licensees to increase the power output of their plants. Power uprate reviews focus on the potential impacts of the proposed power uprate on overall plant safety and evaluate whether plant operation at the increased power level is safe and secure. In this way, licensing workload directly supports the safety goals and related strategic measures and outcomes.

In FY 2011, the NRC continues licensing activities for 104 power reactors and 32 RTRs currently licensed to operate. NRC anticipates that licensing workload will include 950 licensing actions (see Figure 11); including the review of 13 complex power uprate licensing actions and the review of approximately 23 license amendment requests from licensees adopting the NFPA 805 requirements. Reviews will continue for 13 license renewal applications for operating reactors

The NRC anticipates three new applications and will begin reviews after receiving and docketing these applications. The NRC will also update and implement the associated license renewal framework. This includes generic aging lessons learned and generic environment impact statement implementation and updates. The staff will update frequently asked questions (FAQs) for license renewal and infrastructure development to support the review of applications for license renewal beyond 60 years.

The NRC will continue licensing activities for the existing 32 licensed operating RTRs and ensure 100 RTR operators are qualified and licensed to perform their duties. The resources support critical RTR program manager functions associated with the University of Missouri Research Reactor Center Mo-99 10 CFR Part 50 license review and the Babcock & Wilcox Medical Isotope Production System (MIPS) license application review, activities associated with RTR license renewal, and fingerprint rulemaking and associated guidance.

The NRC will complete 600 other licensing tasks and related activities, including assistance to the regions, interactions with vendor and owner's groups, and completion of 20 topical technical report reviews that resolve generic issues. In addition, the NRC anticipates approximately 50 operator licensing examination sessions and 4 generic tests will be completed for reactor operators.

Resources also support licensing activities, such as technical reviews of security plan changes, licensing amendments associated with physical cyber security, and cumulative reviews of 16 power reactor license renewal applications, and associated adjudicatory reviews, legal advice, and representation. The NRC will continue Federal interactions with the American Society of Mechanical Engineers (ASME) in Boiler and Pressure Vessel Code meetings.

Included in the licensing workload are methodologies to monitor, track, and manage the following: projects and business operations, management action plans, and the annual Regulatory Information Conference.

Changes from FY 2010 Enacted

Within the Licensing Product Line, resources are increased to support major licensing actions such as adoption of the new fire protection standard (NFPA 805). Resources will decrease in FY 2011 due to completing the backlog of RTR relicensing applications. Contract support decreases for RTRs to implement the interim changes to the new license review process and MIPS license application review. Resources decrease in license renewal applications for operating power reactors due to the timing of applications expected in FY 2011. The information technology (IT) mission support activity decreases because of a shift of resources from Licensing to the Oversight Product Line.

OVERSIGHT

Strategic Goal Strategies Supported

Safety – Continue to oversee the safe operation of existing plants; oversee licensee safety performance through inspections, investigations, enforcement, and performance assessment activities.

Security – Evaluate licensee security and emergency preparedness programs; use force-on-force inspections to test security.

Workload

For FY 2011, the NRC requests $144.9 million, including 829.2 FTE, to provide for Oversight Product Line activities. This represents a funding increase of $4.5 million, including 22.0 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Oversight Product Line supports oversight activities, which are methods the NRC employs to continually oversee the safe and secure operation of existing nuclear reactors, better identify significant performance issues, and ensure that licensees take appropriate actions to maintain acceptable operating performance to ensure the adequate protection of public health and safety and the environment. The NRC has full authority to take action to protect public health and safety and can demand immediate licensee action, up to and including a plant shutdown.

The NRC performs continuous oversight activities through its Reactor Oversight Process (ROP) to verify that the currently licensed 104 nuclear power reactors are operated safely and securely in accordance with the NRC's regulations. In general terms, the ROP uses both inspection findings and performance indicators to assess the performance of each plant within a regulatory framework of seven cornerstones of safety (i.e., frequency of potential accident-initiating events; availability, reliability, and capability of mitigating systems; integrity of radiation barriers, such as fuel cladding, reactor coolant system, and containment boundaries; emergency preparedness; protection of the public from radiation releases; occupational radiation safety; and physical protection against the design-basis-threat of radiological sabotage, theft, or diversion of special nuclear materials). The ROP recognizes that not all issues are of equal safety significance. For more serious safety significant events the ROP has a structure to cause more NRC engagement and oversight. The ROP also recognizes that events of very low safety significance inevitably occur, and plants are expected to address these issues effectively. In this way, the oversight workload directly supports the safety and security goals and related strategic measures and outcomes.

As a condition of their license, operators of nuclear power plants develop and maintain effective emergency preparedness plans to protect the public. The NRC inspects plants to ensure they are meeting security requirements for emergencies and evaluates the implementation of those requirements. In addition, the agency monitors certain performance indicators related to emergency preparedness.

Generally, the NRC performs two types of inspections: baseline and plant-specific supplemental. Annually, the NRC performs an intensive baseline level of inspection at each plant. The NRC may perform supplemental inspections, based on performance indicators, and take additional actions to ensure that significant performance issues are addressed. Resources support baseline inspections performed routinely at all power reactors, focusing on plant activities that are not adequately measured by performance indicators. Plant-specific supplemental inspections will be conducted in addition to the baseline inspection program. These additional inspections are conducted as a result of performance issues, or inspections to verify compliance with plant specific requirements. Supplemental inspections planned for FY 2011 include approximately 22 fire protection inspections, 22 component design basis inspections, 75 inspections related to performance or specific changes (e.g., inspections done at independent spent fuel storage installations, digital control room inspections), and approximately 100 generic issue inspections that address areas of emerging concern (e.g., cyber security or areas where recurring problems have occurred.)

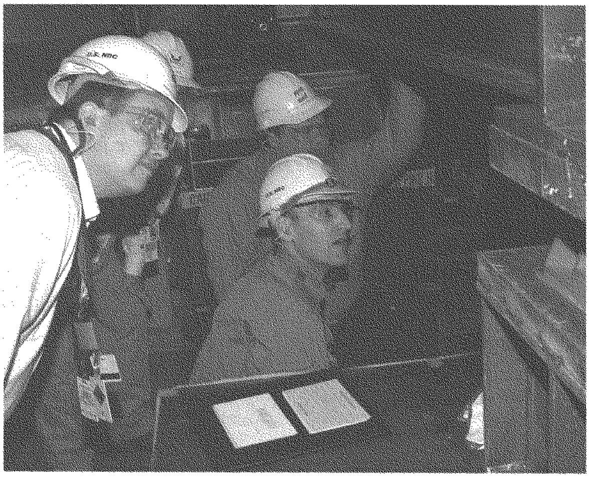
Resources support assessment of licensee performance and evaluation of input data (i.e., performance indicators, the Significance Determination Process (SDP), and the determination of any necessary followup actions for the licensees). This effort includes the Industry Trends Program through which the NRC collects, analyzes, displays, and trends industrywide reactor performance data in order to determine whether the data show statistically significant adverse industry trends in reactor safety performance. The NRC conducts performance-based evaluations of licensee security and emergency preparedness programs and assessment of the effectiveness of such programs. In FY 2011, the NRC will conduct approximately 24 FOF inspections to ensure that FOF inspections are completed at all power reactors within a 3-year cycle. The NRC will also evaluate licensee emergency preparedness during biennial exercises that include assessment of offsite response activities by the Federal Emergency Management Agency.

The Reactor Programs System (RPS) primarily supports the Operating Reactors Oversight Product Line and is used for planning and scheduling inspection activities and capturing and reporting inspection findings. RPS is critical to supporting the oversight and inspection of the 104 nuclear power reactors and 32 nonpower RTRs. It also supports 47 uranium recovery sites and 9 major fuel cycle facilities. In FY 2011, RPS resources support maintenance and operation, software licenses, system development, system design, hardware, system testing, security, and acceptance and analysis efforts.

Resources support inspections to verify that an applicant's license renewal program is implemented consistent with the requirements of 10 CFR Part 54 "Requirements for Renewal of Operating Licenses for Nuclear Power Plants." In FY 2011, license renewal inspections are scheduled for Seabrook, Davis- Besse, South Texas Project, and Waterford nuclear power plants. In addition to the license renewal inspections, the NRC will perform post approval site inspections for approved license renewals to verify that license conditions and commitments that were added as part of the renewed license are implemented in accordance with 10 CFR Part 54. In FY 2011, post approval site inspection as a part of license renewal are budgeted for Oyster Creek, Nine Mile Point, Pilgrim, Vermont Yankee, Surry, Dresden, Monticello, Palisades, and Point Beach nuclear power plants.

Work on event evaluation, development of generic communications, and the review of industry operating experience will support the screening of approximately 3,000 national and international operational events each year and the performance of detailed evaluations on approximately 200 of those events. Workload in the area of generic communications including information notices, regulatory information summaries, generic letters and bulletins, as well as long-term followup activities resulting from operational experience evaluations.

The resident inspector pipeline initiative requires evaluation of recruitment, training, and development to confirm that human resources are adequate to meet changing needs.



Chairman Jaczko (center) visits DC Cook Nuclear Power Plant

Each NRC regional office needs a ready reserve of qualified resident inspectors because of the importance of maintaining an experienced and stable onsite inspection presence.

Resources also support enforcement and allegation activities and investigations of alleged wrongdoing. Enforcement is used to deter noncompliance with NRC requirements and to encourage prompt identification and correction of violations. The assessment process integrates inspection findings with other objective measures of performance that are submitted quarterly by licensees for each power reactor site.

Changes from FY 2010 Enacted

In FY 2011, the Oversight Product Line resources increase with the startup of the resident inspector pipeline initiative designed to ensure the availability of well-qualified resident inspectors in the regional offices, contractor support for industry trends, additional support for FOF activities, implementation of the NRC's policy on cooperation with host and adjacent States to observe and participate in NRC inspections at reactors, the State Liaison Officer Program, and the baseline inspection program to support fact-of-life historical changes in resource requirements. In addition, an increase is reflected with a realignment of resources from Licensing to the Oversight Product Line for the RPS.

RULEMAKING

Strategic Goal Strategies Supported

Safety – Use sound science and state-of-the-art methods to establish, where appropriate, risk-informed and performance-based regulations.

Security – Use a framework of rules and regulations to guide the security activities of the agency.

Workload

For FY 2011, the NRC requests $13.9 million, including 59.0 FTE, to provide for Rulemaking Product Line activities. This represents a funding decrease of $2.3 million, including 4.3 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Rulemaking Product Line includes the development and update of rules, regulatory guidance, and standard review plans that promote licensee compliance with underlying safety principles and security requirements. The regulatory framework guides the safety activities of the agency and its licensees. The NRC's rules and regulations contribute to the safety and security goals and related strategic measures and outcomes because they guide the safety and security activities of the agency. NRC regulations are contained in Title 10 of the Code of Federal Regulations (CFR).

The FY 2011 workload includes 12 high- and medium-priority rulemaking activities, including: high-priority rules; Emergency Response Data System (ERDS) enhancement; 10 CFR Part 26, "Fitness for Duty Program"; 10 CFR 50.46 related to Fuel Cladding; 10 CFR 50.46 (b), "redefinition of emergency core cooling systems"; incorporation of the 2005 addenda and 2008 editions of the ASME codes into 10 CFR 50.55a, " Codes and Standards," and 10 CFR Part 51, "Generic Environmental Impact Statement" for license renewal; emergency preparedness (EP) rulemaking activities; criminal sanctions for trespass and sabotage (the U.S. Environmental Protection Agency's (EPA's) 654/655 rulemaking); and, guidance development for security and access authorization under 10 CFR Part 73, "Physical Protection of Plants and Materials." Specific rulemaking activities include technical review; assessment and technical basis development efforts; development of regulatory guides; screening, reviewing, and resolution of an estimated eight active petitions for rulemaking and issuance of four closure packages; and updating and implementing guidance documents (e.g., NUREGs).

The development of technical basis supports the preparation and promulgation of new or amended regulations. Specifically, resources are used in support of structural integrity assessment procedures for reactor coolant pressure boundary components; evaluation of nondestructive examination techniques used for vessels and piping; experimental programs to generate fuel LOCA test data, which form the technical basis behind the implementation of 10 CFR 50.46; 10 CFR 50.55 and the incorporation of regulatory guides related to code cases; and implementation of international radiation protection recommendations to 10 CFR Part 50, Appendix I.

Changes from FY 2010 Enacted

In FY 2011, resources for the Rulemaking Product Line decrease as a result of higher priority needs in support of casework in the Licensing Product Line (such as power reactor uprates and fire protection amendment requests) and the Oversight Product Line. Resources decrease for research support of the Studsvik Zirlo LOCA fuel-testing program and for support on cladding behavior under LOCA conditions as activities scale down for the completion of this effort. Both of these activities support the implementation of 10 CFR 50.46(b) "Acceptance Criteria for Emergency Core Cooling Systems for Light Water Nuclear Power Reactors."

INTERNATIONAL ACTIVITIES

Strategic Goal Strategies Supported

Safety – Use domestic and international operating experience to inform decision making.

Security – Work with international counterparts to exchange information.

Workload

For FY 2011, the NRC requests $8.5 million, including 31.3 FTE, to provide for International Activities Product Line. This represents a funding decrease of $0.3 million, while including an increase of 1.1 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The International Activities Product Line supports the NRC's international work, which assists decision making, awareness of and responses to emerging technical issues, and promoting best practices in realizing the safety and security goals and related strategic measures and outcomes. Additionally, the NRC participates in the development and evaluation of international standards to ensure they are soundly based and should be implemented domestically. The NRC also must perform certain legislatively mandated international duties. These include licensing the import and export of nuclear materials and equipment and participating in activities supporting U.S. compliance with international treaties and agreement obligations. The NRC has bilateral programs of assistance or cooperation with 36 countries and Taiwan. The NRC has also supported U.S. nuclear safety initiatives with countries such as India, Pakistan, Georgia, and Azerbaijan. In addition, the NRC actively cooperates with multinational organizations, such as the IAEA and the Nuclear Energy Agency (NEA), a part of the Organization for Economic Cooperation and Development (OECD).

The International Activities product line workload includes exchanges of information critical to the safe operation of nuclear power plants, visits to operating domestic nuclear power plants, assistance to foreign regulatory bodies through the NRC Foreign Assignee Program, and review of applications for the export and/or import of nuclear equipment (15-20 import/export authorizations per year). The NRC assists the IAEA and individual countries, participates in bilateral and multilateral activities with other nations and IAEA's Integrated Regulatory Review Service mission, and will participate in the IAEA's 5th Convention on Nuclear Safety.

The NRC participates in international cooperative research programs that provide access to operating experience from foreign reactors to augment NRC programs in areas such as plant aging and materials degradation, fire risk, and pressurized thermal shock. Analysis of this experience contributes to the NRC's knowledge base, improves assessments of plant risk, and improves the development of risk-informed approaches to regulation. International research programs include the OECD/NEA multilateral projects; multilateral/bilateral research sponsored by others (e.g., fire research); and bilateral cooperative research programs sponsored by the NRC (e.g., Thermal Hydraulic Code Application and Maintenance Program).

The NRC supports IAEA programs related to seismic issues, testing at the OECD-Primarkreislauf program test facility to obtain data to validate computer codes and substantiate regulatory positions, the Phebus-International Source Term Program to study fuel degradation and fission product release for high-burnup fuel and mixed oxide (MOX), and the independent assessment of MELCOR 3.0 to improve the code for its predictive capability, modeling adequacy, and run-time efficiency. MELCOR is a fully integrated, engineering level computer code whose primary purpose is to model the progression of postulated severe accidents in light-water reactors as well as nonreactor systems (e.g., spent fuel pool and dry cask).

The NRC works with international counterparts to exchange information, expertise, and operating experiences; to participate in ongoing research to recognize and respond to emerging technical issues; and to promote best safety and security practices. The NRC also participates in the development of international standards to ensure they are soundly based and determine whether substantial safety improvements can be identified and incorporated domestically. This international cooperation contributes to the NRC's safety and security goals and promotes nuclear safety and security worldwide.

Changes from FY 2010 Enacted

Resources remain level.

RESEARCH

Strategic Goal Strategies Supported

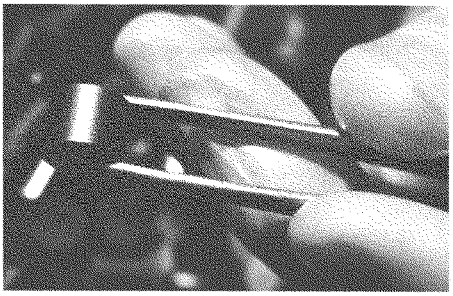
Safety – Improve the NRC's regulatory programs and apply safety-focused research to anticipate and resolve safety issues.

Security – Use research to inform the security activities of the agency.

Workload

For FY 2011, the NRC requests $63.6 million, including 158.7 FTE, to provide for research activities. This represents a funding decrease of $3.7 million, including 1.7 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Research Product Line supports the NRC's regulatory mission by providing technical advice, tools, and information to identify and resolve safety issues and make regulatory decisions. This includes conducting confirmatory experiments and analyses and preparing the agency for the future by evaluating the safety aspects of new technologies and designs for nuclear reactors, materials, waste, and security. The NRC faces challenges as the industry matures, including potential new safety issues, the availability of new technologies, technical issues associated with the deployment of new reactor designs, and knowledge management.


Nuclear reactor fuel pellets

The NRC focuses its research primarily on near-term needs related to oversight of operating light-water reactors, the technology currently used in the United States. However, recent applications for advanced light-water reactors and preapplication activity regarding non light-water reactor vendors have prompted the agency to consider long-term research needs.

In FY 2011, research work includes fire safety research to support the transition to a risk-informed, performance-based set of requirements per NFPA 805 and the current licensing basis for plants. This includes cable fire testing, spurious circuit actuation testing, fire risk assessment training, and fire modeling protection.

The NRC Digital System Research Plan includes review of current and future applications of digital instrumentation and control, failure mode and reliability assessment, aging assessment of components and equipment, and security aspects of digital systems. Additional support includes electrical research in the areas of equipment qualification for life beyond 60 years, aging assessment of electrical insulation materials, and battery performance.

Materials performance research includes degradation of reactor pressure boundary components and vessel internals, in-service inspection effectiveness and reliability related to degradation of primary system components, steam generator tube integrity, primary water stress-corrosion cracking of dissimilar metal butt welds, and embrittlement of reactor vessel pressure boundary materials.

Research activities also include fuels, human factors and reliability, radiation protection, reactor safety codes and analysis, probabilistic codes, models, analysis, and seismic and structural research. Research supports the NRC Operations Center, the Generic Safety Issues Program, the SDP, the ROP, and the long-term research plan.

Research includes the development of plant-specific standardized plant analysis risk models and maintenance of System Analysis Programs for Hands on Integrated Reliability Evaluation (SAPHIRE) 8; additional plant analyses for the State-of-the-Art Reactor Consequence Analysis; and the development of improved methods, tools, and data for calculating risk to support risk-informed regulatory decision making.

The Research Product Line identifies, leads, and/or sponsors reviews to resolve ongoing and future safety issues and provides tools and expertise to support the NRC's independent decision making process.

Changes from FY 2010 Enacted

In FY 2011, resources decrease primarily because of the completion of the dependency matrix for the Response Technical Manual update, the project to update the National Cancer Institute study on cancer in populations near nuclear power plants, and contract support-related activities for the mitigating system performance index.

The decreases are partially offset by increases in civil/structural engineering and earth sciences to complete the leak-before-break regulatory guide and codes, standards, and regulatory guidance.

EVENT RESPONSE

Strategic Goal Strategies Supported

Safety – Effectively respond to events at NRC-licensed facilities and other events of national interest, including maintaining and enhancing the NRC's critical incident response and communication capabilities.

Security – Support Federal response plans that employ an approach to the security of nuclear facilities and radioactive material that integrates the efforts of licensees and Federal, State, local, and tribal authorities.

Workload

For FY 2011, the NRC requests $14.4 million, including 58.5 FTE, to provide for Event Response Product Line activities. This represents a funding increase of $1.2 million, including 4.3 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Event Response Product Line supports the NRC incident response and emergency preparedness activities to ensure the agency can respond effectively to events at its licensees' sites and that adequate protective measures can be taken to mitigate plant damage and minimize possible radiation exposure of members of the public.

The NRC participates in emergency preparedness exercises, some of which include security and terrorism scenarios. As part of these exercises, the NRC works with licensees, Federal agencies, State and local officials, and first responders to form a coordinated system of emergency preparedness and response. This system includes public information, preparations for evacuation, instruction for sheltering, and other actions to protect the residents.

Sharing information quickly among the NRC, other Federal agencies, and the nuclear industry is critical to preventing a terrorist attack. The NRC supports several important Federal anti-terrorism centers for integrated assessments of security-related information. The NRC Operations Center is staffed around the clock to disseminate information and coordinate responses. To ensure the timely distribution of threat information, the NRC continuously reviews intelligence and assesses suspicious activity. As described in the National Response Framework, the NRC is the coordinating agency for events occurring at NRC-licensed facilities and those involving radioactive materials either licensed by the NRC or by an Agreement State.

In FY 2011, the Event Response product Line workload includes drill and exercise preparations, event readiness activities, incident response communications, security coordination and strategies for integrated response coordination, emergency preparedness-related interfaces, secure communications and information management, and materials evaluation and event response. Event response activities include plans to improve Emergency Response Data System (ERDS) functionality, expand data point libraries, and continue monitoring via a 24/7 telecommunications capability.

Reactor event readiness activities are planned for agency operating reactor incident response readiness functions, including agency emergency response organization drill and exercise preparations, licensee and stakeholder coordination and response training activities, and agency continuity preparation and coordination with other Federal agencies. Reactor event response activities to support agency operating reactor incident response functions include 24/7 telecommunications capability. The Event Response Product Line supports materials evaluation and event response activities related to the agency materials licensee incident response programs and other stakeholders, as well as headquarters and regional operations officer response availability functions.

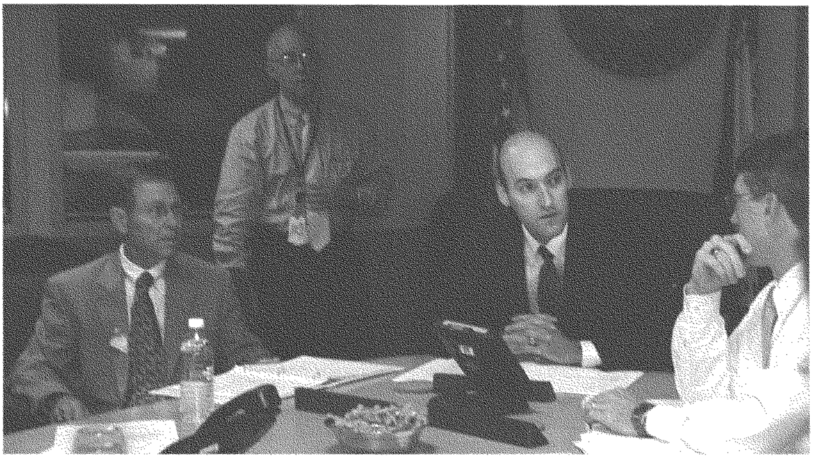
Resources support ERDS and the Operations Center Information Management System, which is the primary infrastructure to support the NRC's response to radiological, nuclear materials, and national security events. It is an integrated information management system comprising data, display, and voice subsystems. Funding also provides for an emergency telecommunications systems, Incident Response System modernization, responder satellite phones, and e-Library.

High-level security coordination and mitigating strategy activities are supported for integrated response coordination functions, including security and emergency preparedness-related interface and coordination with licensees, Federal agencies, and State and local law enforcement officials to address critical infrastructure protective response activities. Event response resources include secure communications and information activities for activities related to the continuity of operations/ continuity of Government and the Defense Red Switch Network.

Event response strategies include the ability to respond to events at NRC-licensed facilities and other events of national interest, including maintaining and enhancing the NRC's critical incident response and communication capabilities, to protect public health and safety, protect the environment, and provide high assurance of protection against radiological sabotage, theft, or diversion of special nuclear materials.

Changes from FY 2010 Enacted

The overall increase in the Event Response Product Line results from activities in the Operations Center Information Management System, Incident Response System modernization, ERDS, e-Library, Emergency Telecommunications System, security coordination, and responder satellite telephones.



Chairman Jaczko (seated center) and senior officials during an emergency preparedness exercise.

SIGNIFICANT ACCOMPLISHMENTS

In FY 2009, the Nation's nuclear power plants were operated within NRC safety and security requirements. The performance measures for the safety goal document that no operating plants were at an unacceptable level. In addition, the safety indicators for nuclear plants as a whole showed no adverse trends. More than 99 percent of plant safety indicators were rated green in FY 2009. The NRC's reactor oversight program helped industry obtain improved safety and security margins at reactor facilities.

The NRC continued its efforts to ensure a high-performing emergency preparedness and incident response program. As it does every year, the NRC engaged in multiple emergency exercises with licensees and Federal partners at sites across the country. These exercises focused on implementation of onsite and offsite radiological emergency plans by licensees, as well as State and local responders. The NRC also published a proposed rulemaking that will significantly update the regulations associated with emergency planning and preparedness when it is finalized.

The NRC continued its vigilant oversight of security in the nuclear industry through a comprehensive inspection and assessment program. During the year, there were no substantial breakdowns of physical security at any commercial nuclear facilities, as determined by the NRC's implementation of its baseline security inspection program.

During FY 2009, the NRC completed the rulemaking for 10 CFR Part 73 on security requirements, which became effective on May 26, 2009, and has a compliance date of March 31, 2010. The final rule made generally applicable those physical protection requirements contained in a number of orders issued by the NRC following the events of September 11, 2001. The rulemaking also provided other significant additions to the security regulations, including requirements for cyber security, mitigative strategies, response procedures for potential or actual aircraft attacks, and assessment and management of the interface between safety and security.

The NRC's research program has addressed key areas that support the agency's safety mission, including the verification and validation of fire safety models for nuclear power plant applications, a proactive material degradation assessment of reactor system and pressure boundary components and their susceptibility to known and potential degradation mechanisms, support for the licensing of new digital instrumentation and control systems, research on seismic hazard issues to support the evaluation of new reactor sites and the seismic safety of existing nuclear facilities, and an update of severe reactor accident consequence analyses.

OUTPUT MEASURES

Licensing

Licensing actions completed per year

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	Complete 1,500 licensing actions.	Complete 1,500 licensing actions.	Complete 1,465 licensing actions.	Complete 1,150 licensing actions.	Complete 950 licensing actions.	Complete 950 licensing actions.
Actual:	1,659 completed.	1,542 completed.	1,054 completed	1,002 completed		

Age of the Other Licensing Task Inventory*

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	New measure in FY 2008		90% ≤ 1 yr. 100% ≤ 2 yrs.	90% ≤ 1 yr. 100% ≤ 2 yrs.	90% ≤ 1 yr. 100% ≤ 2 yrs.	90% ≤ 1 yr. 100% ≤ 2 yrs.
Actual:			96.6% ≤ 1 yr. 100% ≤ 2 yrs.	90% ≤ 1 yr. 100% ≤ 2 yrs.		

*Excludes multiplant actions.

Age of licensing action inventory*

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	96% ≤ 1 yr. 100% ≤ 2 yrs.	96% ≤ 1 yr. 100% ≤ 2 yrs.	96% ≤ 1 yr. 100% ≤ 2 yrs.	93% ≤ 1 yr. 100% ≤ 2 yrs.	93% ≤ 1 yr. 100% ≤ 2 yrs.	90% ≤ 1 yr. 100% ≤ 2 yrs.
Actual:	97.6% ≤ 1 yr. 99.9% ≤ 2 yrs.	96.9% ≤ 1 yr. 100% ≤ 2 yrs.	94.6% ≤ 1 yr. 100% ≤ 2 yrs.	94% ≤ 1 yr. 100% ≤ 2 yrs.		

* *Excludes license renewal and improved standard technical specifications (iSTS) conversions. Also excludes license amendment requests that are unusually complex (e.g., power uprate applications), voluminous (e.g., conversions to improved technical specifications), or novel (e.g., when a license amendment request depends upon a topical report that has not yet been approved), as well as risk-informed license amendments that are developed to an acceptable level.*

Other licensing tasks completed per year

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	Complete 500 other licensing tasks.	Complete 500 other licensing tasks.	Complete 600 other licensing tasks.	Complete 600 other licensing tasks.	Complete 600 other licensing tasks.	Complete 600 other licensing tasks.
Actual:	676 other licensing tasks completed.	1,045 other licensing tasks completed.	678 other licensing tasks completed.	541 other licensing tasks completed.		

Number of operator licensing examinations administered.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	Meet licensee demand estimated at 50 initial operator licensing examination sessions and 4 generic fundamentals examination sessions.	Meet licensee demand estimated at 50 initial operator licensing examination sessions and 4 generic fundamentals examination sessions.	Meet licensee demand estimated at 50 initial operator licensing examination sessions and 4 generic fundamentals examination sessions.	Meet licensee demand estimated at 55 initial operator licensing examination sessions and 4 generic fundamentals examination sessions.	Meet licensee demand estimated at 55 initial operator licensing examination sessions and 4 generic fundamentals examination sessions.	Meet licensee demand estimated at 55 initial operator licensing examination sessions and 4 generic fundamentals examination sessions.
Actual:	Met licensee demand at 37 initial operator licensing examination sessions and 4 generic fundamentals exam sessions.	Met licensee demand at 51 initial operator licensing examination sessions and 4 generic fundamentals exam sessions.	Met licensee demand at 50 initial operator licensing examination sessions and 4 generic fundamentals exam sessions.	Completed 59 initial operator licensing examination sessions and 4 generic fundamentals exam sessions		

Efficiency measure: Transitioning from hard-copy distribution of outgoing licensee correspondence to electronic distribution

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	New measure in FY 2011					$80,000 reduction
Actual:						

Completion of license renewal application reviews.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	Complete major milestones for 4 applications.	Complete major milestones for 3 applications.	Complete major milestones for 3 applications.	Complete major milestones for 4 applications.	Complete major milestones for 3 applications.	Complete major milestones for 3 applications.
Actual:	Milestones completed for 4 applications.	Milestones completed for 3 applications.	Issued 2 renewed licenses, completed SER and SEIS for 2 plants.	Issued 4 renewed licenses.		

Oversight

Number of plants for which the baseline inspection program was completed during the most recently ended inspection cycle.*

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	All required baseline inspection procedures are completed at 103 operating reactors.*	All required baseline inspection procedures are completed at 103 operating reactors.*	All required baseline inspection procedures are completed at 104 operating reactors.	All required baseline inspection procedures are completed at 104 operating reactors.	All required baseline inspection procedures are completed at 104 operating reactors.	All required baseline inspection procedures are completed at 104 operating reactors.
Actual:	Completed at all reactors.	Completed all reactors.	Completed all reactors.	Completed all reactors.		

**Does not include Brown's Ferry Unit 1, which restarted in 2007. The Reactor Oversight Program (ROP) inspection program is implemented on a calendar-year (CY) basis; therefore, the baseline inspection program was not fully implemented in CY 2007 for Browns Ferry 1. The baseline inspection program will be completed at 104 operating reactors, including Browns Ferry 1, in CY 2008. With the addition of Browns Ferry 1, the metric changes to 104 operating reactors.*

Percentage of final significance determination process determinations made within 90 days for all potentially greater than green findings.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	90%	90%	90%	90%	90%	100%
Actual:	92%	100%	100%	100%		

Time to complete reviews of technical allegations.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	70% of technical allegations closed within 150 days, 90% within 180 days, and 100% within 360 days.	70% of technical allegations closed within 150 days, 90% within 180 days, and 100% within 360 days.	80% of technical allegations closed within 150 days, 90% within 180 days, and 100% within 360 days.	90% of technical allegations closed within 150 days, 95% within 180 days, and 100% within 360 days.	90% of technical allegations closed within 150 days, 95% within 180 days, and 100% within 360 days.	90% of technical allegations closed within 150 days, 95% within 180 days, and 100% within 360 days.
Actual:	93% closed within 150 days. 98% within 180 days. 100% within 360 days.	93% closed within 150 days. 97% within 180 days. 99% within 360 days.	93% closed within 150 days. 98% within 180 days. 99% within 360 days.	93% closed within 150 days 98% within 180 days. 99% within 360 days.		

**A few allegations exceeded the target because of complicated technical review or extended review at another Federal agency.*

Timeliness in completing enforcement actions.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	Investigation cases: 100% completed within 360 days of OE processing time. Non Investigation cases: 100% completed within 180 days of OE processing time.	Investigation cases: 100% completed within 360 days of OE processing time. Non Investigation cases: 100% completed within 180 days of OE processing time.	Investigation cases: 100% completed within 360 days of OE processing time. Non Investigation cases: 100% completed within 180 days of OE processing time.	Investigation cases: 100% completed within 360 days of OE processing time. Non Investigation cases: 100% completed within 180 days of OE processing time	Investigation cases: 100% completed within 360 days of OE processing time. Non Investigation cases: 100% completed within 180 days of OE processing time	Investigation cases: 100% completed within 360 days of OE processing time. Non Investigation cases: 100% completed within 180 days of OE processing time
Actual:	Investigation: None ≥ 360 days Non-Investigation: none ≥ 180 days	Investigation: None ≥ 360 days Non-Investigation: none ≥ 180 days	Investigation: One ≥ 360 days Non-Investigation: none ≥ 180 days	Investigation: None ≥ 360 days Non-Investigation: none ≥ 180 days		

A. Cases requiring investigations normally involve wrongdoing including discrimination and by their nature are more resource intensive and less timely. Accordingly, the performance measure for cases involving investigations provides for more staff time. B. OE processing time is defined as that time from the date the case is opened or the licensee is briefed on the concern (exit) to the issuance of an enforcement action or other appropriate disposition less: (1) any time the NRC could not act due to the case residing with DOL, DOI, other government entity or where the licensee or anyone outside the enforcement process causes a lengthy deferment, and (2) any time the NRC could not act due to processing FOIA requests.

Timeliness in completing investigations - Target 1.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	80% of investigations that developed sufficient information to reach a conclusion regarding wrongdoing will be completed in 10 months or less.	80% of investigations that developed sufficient information to reach a conclusion regarding wrongdoing will be completed in 10 months or less.	80% of investigations that developed sufficient information to reach a conclusion regarding wrongdoing will be completed in 10 months or less.	80% of investigations that developed sufficient information to reach a conclusion regarding wrongdoing will be completed in 10 months or less.	80% of investigations that developed sufficient information to reach a conclusion regarding wrongdoing will be completed in 10 months or less.	80% of investigations that developed sufficient information to reach a conclusion regarding wrongdoing will be completed in 10 months or less.
Actual:	Completed 110 investigations of which 80% (88) developed sufficient information to reach a conclusion regarding wrongdoing were completed in 10 months or less.	Completed 70 investigations of which 95.7% (67) developed sufficient information to reach a conclusion regarding wrongdoing were completed in 10 months or less.	Completed 77 investigations of which 92.2% (67) developed sufficient information to reach a conclusion regarding wrongdoing were completed in 10 months or less.	Completed 106 investigations of which 98.1% (104) developed sufficient information to reach a conclusion regarding wrongdoing were completed in 10 months or less		

Timeliness in completing investigations - Target 2.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	New Measure in FY 2007	Close 100% of OI investigations in time to initiate civil and/or criminal enforcement action.	Close 100% of OI investigations in time to initiate civil and/or criminal enforcement action.	Close 100% of OI investigations in time to initiate civil and/or criminal enforcement action.	Close 100% of OI investigations in time to initiate civil and/or criminal enforcement action.	Close 100% of OI investigations in time to initiate civil and/or criminal enforcement action.
Actual:		Closed 100% of OI investigations in time to initiate civil and/or criminal enforcement action.	Closed 100% of OI investigations in time to initiate civil and/or criminal enforcement action.	Closed 100% of OI investigations in time to initiate civil and/or criminal enforcement action.		

Event Response

Emergency Response Performance Index.*

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	99%	99%	100%	100%	100%	100%
Actual:	100%	100%	100%	100		

**This performance index provides a single overall performance measure of the agency's readiness to respond to a nuclear or terrorist emergency situation, or other events of national interest. The index measures several activities within the Incident Response Program that are critical to support the agency's preparedness and response ability.*

Research

Timeliness of completing actions on critical research programs.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	85% of major milestones met on or before their due date.	85% of major milestones met on or before their due date.	90% of major milestones met on or before their due date.	90% of major milestones met on or before their due date.	90% of major milestones met on or before their due date.	90% of major milestones met on or before their due date.
Actual:	96% across programs.	100% across programs.	100% across programs.	100% across programs.		

Definition: Critical research programs typically respond to high priority needs from the Commission and NRC's licensing organizations. Critical research programs will be the highest priority needs identified at the beginning of each fiscal year.

Acceptable technical quality of agency research technical products

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	New Measure in FY 2007	Combined score ≥ 3.0	Combined score ≥ 3.0	Combined score ≥ 3.5	Combined score ≥ 3.5	Combined score ≥ 3.5
Actual:		4	4	4		

NRC has developed a process to measure the quality of research products that includes surveying end users to determine the usability of and value-added by the product and feedback from the Advisory Committee on Reactor Safeguards on research programs and products. As appropriate, other mechanisms will be developed and added to this process to measure the quality of research products.

New Reactors
(Dollars in Millions)

	FY 2009 Enacted		FY 2010 Enacted		FY 2011 Request		FY 2011 Changes from FY 2010	
Product Line	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**
Licensing	133.2	520.1	125.0	509.5	121.1	498.2	(3.9)	(11.3)
Oversight	23.7	106.0	28.0	135.6	34.3	171.2	6.3	35.6
Rulemaking	1.4	7.4	1.6	8.0	2.6	13.2	1.0	5.2
International Activities	4.0	5.5	6.1	9.6	8.5	15.1	2.4	5.5
Research	17.0	35.2	24.1	54.6	23.0	59.3	(1.1)	4.7
Subtotal	**$179.3**	**674.2**	**$184.8**	**717.3**	**$189.5**	**757.0**	**$4.7**	**39.7**
Corporate Support	76.0	168.7	79.9	176.4	83.0	183.2	3.1	6.8
Total	**$255.3**	**843.0**	**$264.7**	**893.8**	**$272.5**	**940.1**	**$7.8**	**46.3**

Numbers may not add due to rounding.

FY 2009 and FY 2010 enacted resources are respectively being executed according to the requirements in the FY 2009 and FY 2010 Appropriation Acts and as outlined in the FY 2009 and FY 2010 Congressional Budget Justifications. FY 2009 and FY 2010 resources are mapped in this table to the FY 2011 budget structure only for comparison.

NEW REACTORS

The NRC established the New Reactors Business Line to respond to industry's renewed interest in building new commercial nuclear power plants to meet the Nation's future electric power generation needs (see Figure 12). As indicated previously, all civilian nuclear power reactors must be licensed by the NRC and adhere to NRC regulations in order to operate in the United States. Renewed demand and national policy initiatives, such as the DOE's Nuclear Power 2010 program and the Energy Policy Act of 2005, have stimulated a nuclear resurgence. The New Reactors Business Line is responsible for the regulatory activities associated with locating, licensing, and oversight for construction of new nuclear power reactors. The NRC will review new nuclear power reactor design certifications (DCs) and combined license (COL) applications consistent with 10 CFR Part 52 which is the NRC's streamlined application process for new reactors. By issuing a COL, the NRC authorizes the licensee to construct and (with specified conditions) operate a nuclear power plant at a specific site. Previously, the application process prescribed under 10 CFR Part 50 involved separate applications for the issuance of a construction permit and an operating license.

Under the New Reactors Business Line, the NRC will continue to develop and implement the construction inspection program, provide oversight for the construction of Watts Bar Unit 2, and continue conducting vendor inspections. Oversight activities will increase to support inspection efforts consistent with industry construction schedules and additional vendor inspections. These include supporting key international nuclear equipment and component suppliers and starting license examiner training. Advanced reactor activities will increase to prepare for the review of new technologies.

The New Reactors Business Line was established to respond to industry's renewed interest in building new commercial nuclear power plants to meet the Nation's future electric power generation needs.

The NRC has organized new reactors activities into product lines that best support safety and security strategies and impact strategic outcomes as they relate to new civilian reactors. The resources requested support all direct aspects of new reactors within the following five product lines: Licensing, Oversight, Rulemaking, International Activities, and Research. The New

Reactors Business Line includes resources for construction of the new Three White Flint Headquarters (3WFN) building. The budget includes $11.2 million for 3WFN. In FY 2011, funding will support the construction of building interior and the procurement and installation of fixtures, furniture, workstations and equipment in 3WFN The outputs of these product lines contribute to progress on the NRC safety and security performance measures and their contribution to achievement of the strategic outcomes.

LICENSING

Strategic Goal Strategies Supported

Safety - Develop, maintain, and implement licensing and regulatory programs for reactors.

Security - Review security plans for consistency with security requirements.

Workload

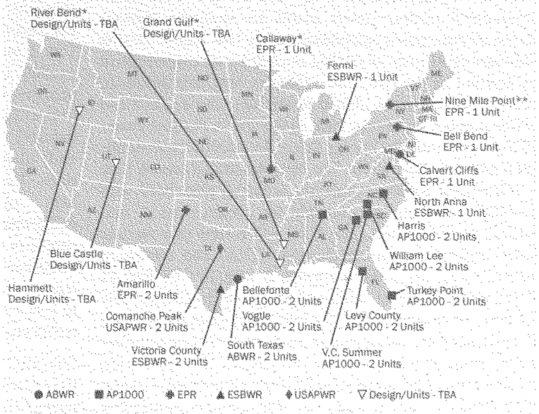
For FY 2011, the NRC requests $121.1 million, including 498.2 FTE, to provide for Licensing Product Line activities. This represents a funding decrease of $3.9 million, including 11.3 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Licensing Product Line supports the licensing process, which confirms that plans for the development, construction, and subsequent operation of new nuclear power plants provide for an adequate margin of safety and security consistent with the NRC's rules and regulations to ensure protection of public health and safety and the environment. Licensing also includes the review and certification of new reactor designs and development of a regulatory framework and supporting technical bases to license advanced reactor designs.

Licensing workload includes the review of COL applications. The COL, issued by the NRC, authorizes the licensee to construct and (with specified conditions) operate a nuclear power plant at a specific site. The NRC will continue the review of 17 COL applications consistent with 10 CFR Part 52 and industry's projected plans and schedules. Additionally, the NRC received an application to build a new reactor at a site previously approved, under 10 CFR Part 50, at Watts Bar 2. Resources support the review of all applications, including emergency preparedness technical reviews, security plan technical reviews, security-related assessments, and financial analysis of applicants.

A design certification (DC) approves and certifies a standard nuclear plant design independent of a specific site and is valid for 15 years. Resources for licensing support General Electric's Economic Simplified Boiling-Water Reactor (ESBWR) DC, Westinghouse's AP1000 DC amendment, and General Electric's (GE's) Advanced Boiling-Water Reactor (ABWR) DC amendment, scheduled to be completed in early FY 2011. AREVA's Evolutionary Power Reactor (EPR) and Mitsubishi's Advanced Pressurized-Water Reactor (US APWR) DC applications are projected to be completed by the end of FY 2011.

Figure 12 - Location of Projected New Nuclear Power Reactors



*Review Suspended

**Review Partially Suspended

Note: Data as of June 30, 2009

Licensing resources primarily support the development of the regulatory framework and supporting technical bases to license advanced reactor designs and partially fund a DC review for a small reactor. The NRC plans to perform a limited number of pre-application reviews to identify and resolve policy, regulatory, and key technical issues for the advanced designs. Because of DOE's schedule and program adjustment in the advanced reactor area, resources have been downsized commensurate with the projected workload.

Licensing also provides the resources to support licensing-related legal advice and representation, independent advice, and adjudicatory reviews; IT mission area support for licensing activities; and the regulatory infrastructure for licensing activities.

Changes from FY 2010 Enacted

Overall, the Licensing Product Line funding decreases, which reflects decreased activity on COL applications as a result of revisions in the review schedules due to resubmission of information and industry suspension of applications.

OVERSIGHT

Strategic Goal Strategies Supported

Safety – Oversee the development and construction of new nuclear power reactors.

Security – Evaluate license applicants' security plans.

Workload

For FY 2011, the NRC requests $34.3 million, including 171.2 FTE, to provide for Oversight Product Line activities. This represents a funding increase of $6.3 million, including 35.6 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Oversight Product Line includes resources to support construction inspection activities. During FY 2011, the NRC will develop and implement reactor, emergency preparedness, and security inspection activities to support inspection of two new reactors expected to be under construction. The NRC will develop the workforce to support inspection of an additional four reactors in FY 2012 and another two in FY 2013. Resources support projected increased enforcement-related case work and investigations of wrongdoing resulting from increased construction and vendor allegations. The NRC will continue oversight construction activities for Watts Bar 2 and begin oversight activities to support construction at Bellefonte.

Resources support an increase in domestic and international vendor inspections from 10 to 15 as a component of manufacturing oversight. A significant percentage of major components for new plants that may eventually be built in the United States will be manufactured in other countries. Oversight seeks to verify that the new reactor development process will result in operating power reactors that ensure the adequate protection of public health and safety, protection of the environment, and high assurance of the physical security of facilities.

In FY 2011, resources are included to begin the first year of the 2-year process to certify 10 licensing examiners needed by 2013 to support operator licensing for 10 units.

Changes from FY 2010 Enacted

The FTE level increases to support two new reactors under construction and to develop the workforce to support inspection of up to an additional six reactors in the out years.

RULEMAKING

Strategic Goal Strategies Supported

Safety – Use sound science and state-of-the-art methods to establish, where appropriate, risk-informed and performance-based regulations.

Security – Use a framework of rules and regulations to guide the security activities of the agency.

Workload

For FY 2011, the NRC requests $2.6 million, including 13.2 FTE, to provide for Rulemaking Product Line activities. This represents a funding increase of $1.0 million, including 5.2 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Rulemaking Product Line supports rulemaking activities, which maintain the safety and security framework of rules, regulatory guidance, and standard review plans that promote licensee compliance with underlying safety principles and security requirements. In FY 2011, workload will focus on 11 rulemakings, of which 6 are high-priority rulemakings directly related to the DC activities for access authorization and 5 are medium-priority rulemakings on developing the technical basis for new or amended regulations.

Changes from FY 2010 Enacted

The estimated level of effort for DC high-priority rulemakings increases in FY 2011.

INTERNATIONAL ACTIVITIES

Strategic Goal Strategies Supported

Safety – Use domestic and international operating experience to inform decision making.

Security – Work with international counterparts to exchange information.

Workload

For FY 2011, the NRC requests $8.5 million, including 15.1 FTE, to provide for International Activities Product Line. This represents a funding increase of $2.4 million, including 5.5 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The International Activities Product Line supports international activities for the NRC, which works with international counterparts to exchange information, expertise, operating experiences, and ongoing research to recognize and respond to emerging technical issues and promote best safety and security practices. For example, the NRC participates in the Multinational Design Evaluation Program (MDEP), in which several nations jointly cooperate in sharing information regarding the review of new reactor designs. These next-generation designs require detailed evaluation of their vulnerability to accidents and attacks, as well as development of inspections, tests, analyses, and acceptance criteria for their construction.

The NRC will continue participation in the MDEP and increase international exchanges of licensing activities that will increase safety at U.S. sites. Export licensing activities will increase for U.S. companies exporting technology to other countries seeking to build nuclear power plants or components for plants under construction. International interactions, beyond MDEP, will increase as more countries seek to develop nuclear power programs. Bilateral and multilateral interactions will increase to emphasize safety and security considerations to countries seeking to develop nuclear power capabilities.

Changes to FY 2010 Enacted

Resources increase to further assist other countries in leveraging experience and to help develop regulatory systems for countries that currently do not have a nuclear program.

RESEARCH

Strategic Goal Strategies Supported

Safety – Improve the NRC's regulatory programs and apply safety-focused research to anticipate and resolve safety issues.

Security – Use research to inform the security activities of the agency.

Workload

For FY 2011, the NRC requests $23.0 million, including 59.3 FTE, to provide for Research Product Line activities. This represents an overall funding decrease of $1.1 million, while including an additional 4.7 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Research Product Line supports the means to identify, lead, and/or sponsor reviews that aid the resolution of ongoing and future safety issues, including providing tools and expertise needed to support the NRC's independent decision-making process. In FY 2011, research will provide resources to support technical development activities for certification reviews, update regulatory guides assist in new reactor licensing, support advances in earthquake engineering, and address age-related degradation of structures and passive components.

Research will also support advanced reactors and the development of new reactor plant models, fund homeland security projects such as aircraft impact analyses studies. Resources for advanced reactors support the development of expertise, tools, and data in areas such as thermal hydraulics, severe accidents, nuclear analysis, probabilistic risk assessment, human factors, materials, and seismic/structural analysis.

Changes from FY 2010 Enacted

The total includes a resource shift between Operating Reactors and New Reactors Business Line. The funding is more appropriately aligned within the New Reactors Business Line since it supports the seismic source characterization projects being scoped and scheduled to support the review of incoming applications.

SIGNIFICANT ACCOMPLISHMENTS

In FY 2009, the NRC received two additional applications to construct nuclear power plants, bringing the total to 18, and completed the acceptance reviews and docketing for eight COLs. The technical and safety reviews continued for 18 COLs, and 4 DC applications. The NRC issued the final safety evaluation report (SER) for an early site permit application and limited work authorization request. The NRC also continued construction inspection readiness activities, including holding a 2-day vendor oversight and new reactor construction workshop with over 600 participants, issuing guidance for inspections, tests, analyses, and acceptance criteria (ITAAC) closure under 10 CFR Part 52, and developing construction program procedures and manuals.

OUTPUT MEASURES

Licensing

Review early site permit applications on the schedules negotiated with the applicants.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	Issue final SER for 2 applications and final EIS for 3 applications. Begin review of the Vogtle ESP application.	Complete milestones for Vogtle ESP application. Begin review of 1 ESP application.	Complete 1 ESP review. (North Anna) Continue review of 1 existing ESP applications (Vogtle).	Complete 1 ESP review (Vogtle).	No ESPs planned for FY 2010.	No ESPs planned for FY 2011.
Actual:	Issued 2 FSER and issued 2 final EIS (Note: North Anna delayed as result of applicant design change). Started review of Vogtle ESP.	Issued draft SER and draft EIS for Vogtle ESP application. (Note: Amarillo ESP application was not submitted).	Issued ESP on North Anna, Vogtle ESP review on schedule	Issued Vogtle ESP review on schedule.		

Review design certification (DC) applications on the schedules negotiated with the applicants.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	Complete milestones necessary to complete ESBWR DC.	Complete milestones necessary to complete ESBWR DC. Issue the draft SER for ESBWR.	Complete milestones to support ESBWR and AP 1000 DC. Begin review of EPR and US APWR DC application review.	Complete milestones necessary to support ESBWR, EPR and US APWR DC reviews. Complete review of AP 1000 DC application.	Complete review of ESBWR DC application and AP 1000 amended application and continue review of EPR and APWR DC applications.	Complete review of ESBWR rulemaking and the AP 1000 amendment. Continue EPR and APWR reviews and begin the ABWR DC renewal.
Actual:	Completed milestones necessary to complete ESBWR DC.	Completed milestones necessary to support the ESBWR, EPR, USAPWR DCs and the AP 1000 DC amendment.	Completed milestones to support ESBWR, EPR, and AP 1000 DC. And the EPR and US APWR DC application review.	Completed milestones necessary to support the ESBWR, EPR, and US APWR DC. Completed milestones associated with ABWR DCA DC application.		

Review COL applications on the schedules negotiated with the applicants.						
	FY 2006	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2011**
Target:	Begin pre-COL application interactions with prospective COL applicants.	Continue pre-COL application interactions with prospective COL applicants.	Complete milestones associated with conducting 14 COL application reviews.	Complete milestones associated with conducting 20 COL application reviews.	Complete milestones associated with conducting 20 COL application reviews.	Complete milestones associated with conducting 17 COL application reviews.*
Actual:	Staff has engaged in pre-application activities with potential COL applicants.	Staff engaged in preapplication activities with prospective COL applicants.	Completed milestones associated with conducting 14 COL application reviews.	Completed milestones associated with conducting 18 COL application reviews.		

**Excludes Watts Bar 2*

Nuclear Materials & Waste Safety

Safety Goal: Ensure adequate protection of public health and safety and the environment.

Security Goal: Ensure adequate protection in the secure use and management of radioactive materials.

The Nuclear Materials and Waste Safety Program encompasses NRC efforts to ensure that nuclear materials are used and waste is managed in a manner that adequately protects the health and safety of the public, protects the environment, and provides high assurance of physical security. Through this program, the NRC regulates uranium processing and fuel facilities, nuclear materials users (e.g., medical, industrial, research, academic), spent fuel storage, spent fuel storage cask and transportation packaging designs, decontamination and decommissioning of facilities, and low-level waste (LLW) and high-level radioactive waste (HLW). This program contributes to the NRC's safety and security goals through activities of the Operating Fuel Facilities, New Fuel Facilities, Nuclear Materials Users, Spent Fuel Storage and Transportation, Decommissioning and Low-Level Waste, High-Level Waste Repository, and Integrated Spent Fuel Management Business Lines that license and regulate nuclear materials and waste to ensure their safe and secure handling. The public benefits because this program improves the safety and security in the extraction, processing, use, storage, and management of nuclear materials and waste and the decommissioning of licensed nuclear sites. The Atomic Energy Act of 1954, as amended, the Energy Reorganization Act of 1974, as amended, and the Energy Policy Act of 2005 and the Nuclear Waste Policy Act of 1982, as amended, are the foundations of the NRC's regulatory authority.

These activities support the safety and security outcomes for the extraction, transportation, processing, use, storage, management of nuclear waste and the decommissioning of licensed nuclear sites.

The nuclear fuel cycle process includes extraction of uranium from the ore, conversion of the uranium into a form suitable for enrichment, enrichment of the uranium to a level and type suitable for nuclear fuel, and then using the enriched uranium in fabricating fuel assemblies for use in nuclear reactors. The NRC licenses, oversees, and regulates the facilities involved in the process.

Nuclear materials have many industrial, medical, and academic uses. The NRC licenses, oversees, and regulates large and small users of nuclear materials such as radiographers, hospitals, private physicians, nuclear gauge users, irradiators, and universities. The NRC also licenses facilities to possess plutonium and enriched uranium. These special nuclear material (SNM) licensees verify and document their inventories in the Nuclear Materials Management and Safeguards System (NMMSS) database. The database tracks material transfers and inventories.

In addition, both the NRC and the Agreement States carry out their respective radiation safety regulatory programs under the framework of the National Materials Program (NMP). This covers activities solely carried out by the NRC and 37 Agreement State programs, such as licensing, inspection, response to incidents, staffing, training, investigation, and enforcement. The focus of the NMP is the shared program activities between the NRC and the Agreement States and the ability of Agreement States to assume a greater proportional responsibility for the shared program activities. The scope of the NMP covers Atomic Energy Act materials, which are currently regulated by the NRC and the Agreement States. It has been expanded to cover accelerator-produced material and discrete sources of Radium-226 due to the implementation of the Energy Policy Act of 2005.

About 3 million packages of radioactive materials are shipped each year in the United States by road, rail, air, or water. Regulating the safety of commercial radioactive material shipments is the joint responsibility of the NRC and the U.S. Department of Transportation. The NRC ensures transportation safety by reviewing and certifying shipping packages for the commercial transport of large quantities of radioactive materials. In addition, the NRC certifies shipping package designs for DOE's non-commercial transuranic waste shipments.

The NRC ensures safety and security in the management and disposition of radioactive waste. Nuclear waste is categorized as either LLW or HLW. LLW includes items that have become contaminated with radioactive material or that have become radioactive through exposure to neutron radiation. The NRC and the Agreement States regulate the management and disposition of LLW. The NRC or Agreement States license, oversee, and regulate commercial LLW disposal facilities.

HLW includes the highly radioactive materials from the reprocessing of spent nuclear fuel and irradiated reactor fuel. The NRC licenses, oversees, and regulates the management and disposition of HLW. Spent Nuclear Fuel is initially stored in pools at reactor sites, then after an appropriate time period it is moved to dry storage. Dry storage is done in dry casks, or canisters, certified by the NRC for such use. These casks are stored at independent spent fuel storage installations (ISFSIs) licensed and regulated by the NRC. The NRC is responsible for regulating long-term HLW disposal.

The Administration has indicated that it does not support developing a repository at Yucca Mountain, Nevada. Consistent with that position, DOE may submit to the NRC a motion to withdraw or suspend its Yucca Mountain license application during FY 2010. The NRC Budget reflects that possibility. Upon the withdrawal or suspension of the licensing review, the NRC would begin an orderly closure of the technical review and adjudicatory activities and would document the work and insights gained from the review.

Decommissioning is the safe removal of a nuclear facility from service and the reduction of residual radioactivity to a level that permits the release of the property and termination of the NRC license. The NRC rules for decommissioning establish site release criteria and provide for unrestricted and, under certain conditions, restricted release of a site. The NRC and Agreement States regulate the decontamination and decommissioning of uranium recovery facilities, materials and fuel cycle facilities, nuclear power plants, and RTRs.

The Integrated Spent Fuel Management Business Line will develop the information necessary to inform the agency's regulatory perspectives on waste management options, undertake research, analysis, and modeling efforts to support regulatory development for potential future high-level waste disposal systems, and serve as the agency's point for coordinating and integrating key interdependent work on disposal, extended long-term storage, and other waste management strategies.

Security efforts in this program include safeguards and security reviews and inspections, force-on-force exercises, regulatory improvements, and implementation of a national registry (i.e., the National Source Tracking System (NSTS)) of radioactive sources of concern. The NRC will continue to maintain a high state of incident response readiness and coordination with other Federal, State, and local agencies.

Nuclear Materials and Waste Safety by Business Line
(Dollars in Millions)

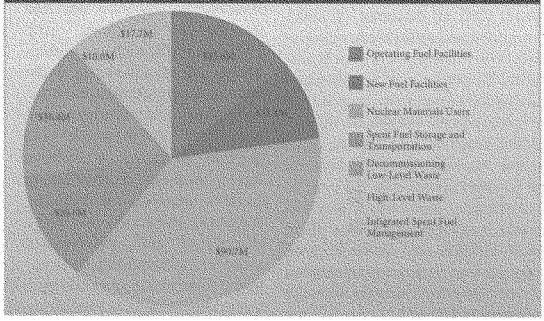
					FY 2011			
	FY 2009 Enacted		FY 2010 Enacted		Request		Changes from FY 2010	
Business Line	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**
Operating Fuel Facilities	30.8	123.4	34.7	133.2	33.6	132.9	(1.1)	(0.3)
New Fuel Facilities	19.4	77.7	20.0	76.0	21.4	89.6	1.4	13.6
Nuclear Materials Users	85.0	330.3	91.6	338.5	90.7	338.4	(0.9)	(0.1)
Spent Fuel Storage and Transportation	25.3	100.2	36.1	124.1	29.6	119.8	(6.5)	(4.3)
Decommissioning and Low-Level Waste	37.9	143.7	37.8	148.2	36.4	144.7	(1.4)	(3.5)
High-Level Waste Repository	49.2	111.6	29.0	99.0	10.0	32.0	(19.0)	(67.0)
Integrated Spent Fuel Management	0.0	0.0	0.0	0.0	17.7	50.2	17.7	50.2
Total	**$247.6**	**887.0**	**$249.2**	**919.1**	**$239.4**	**907.6**	**($9.8)**	**(11.5)**

Numbers may not add due to rounding.

FY 2009 and FY 2010 enacted resources are respectively being executed according to the requirements in the FY 2009 and FY 2010 Appropriation Acts and as outlined in the FY 2009 and FY 2010 Congressional Budget Justifications. FY 2009 and FY 2010 resources are mapped in this table to the FY 2011 budget structure only for comparison.

Program Resource Summary: The FY 2011 proposed budget request for Nuclear Materials and Waste Safety is $239.4 million (see Figure 13), which includes $102.5 million in contract support and travel, and $136.9 million in salaries and benefits to support 907.6 FTE. This would fund activities in the Operating Fuel Facilities, New Fuel Facilities, Nuclear Materials Users, Spent Fuel Storage and Transportation, Decommissioning and Low-Level Waste, High-Level Waste Repository, and Integrated Spent Fuel Management Business Lines. FY 2009 and FY 2010 enacted resources are respectively being executed according to the requirements in the FY 2009 and FY 2010 Appropriation Acts and as outlined in the FY 2009 and FY 2010 Congressional Budget Justifications. FY 2009 and FY 2010 resources are mapped in this table to the FY 2011 budget structure only for comparison. This funding level represents a decrease of $9.8 million, including 11.5 FTE, compared to FY 2010, which is primarily due to the reductions to the HLW Repository Business Line. The Administration has indicated that it does not support developing a repository at Yucca Mountain, Nevada. Consistent with that position the DOE may submit to the NRC a motion to withdraw or suspend its Yucca Mountain license application during FY 2010. The NRC Budget request reflects that possibility. Upon the withdrawal or suspension of the licensing review, the NRC would begin an orderly closure of the technical review and adjudicatory activities, and would document the work and insights gained from the review. Resources include slight increases in uranium recovery licensing, licensing reviews for operating fuel facilities, and materials users licensing actions. The increase is offset by decreases because of the delay in the International Isotopes review and decrease in research for Spent Fuel Storage and Transportation.

Figure 13 - Nuclear Materials and Waste Safety (Total $247.9M)



Operating Fuel Facilities
(Dollars in Millions)

					FY 2011			
	FY 2009 Enacted		FY 2010 Enacted		Request		Changes from FY 2010	
Product Line	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**
Licensing	9.8	40.3	10.8	38.9	11.1	42.7	0.3	3.8
Oversight	8.1	48.1	9.5	54.4	8.4	50.9	(1.1)	(3.5)
Rulemaking	1.1	5.8	1.3	6.8	1.1	6.3	(0.2)	(0.5)
International Activities	1.3	6.1	1.3	7.1	1.2	6.6	(0.1)	(0.5)
Subtotal	**$20.3**	**100.3**	**$22.9**	**107.2**	**$21.8**	**106.5**	**($1.1)**	**(0.7)**
Corporate Support	10.5	23.2	11.8	26.0	11.9	26.3	0.1	0.3
Total	**$30.8**	**123.4**	**$34.7**	**133.2**	**$33.6**	**132.9**	**($1.1)**	**(0.3)**

Numbers may not add due to rounding.

FY 2009 and FY 2010 enacted resources are respectively being executed according to the requirements in the FY 2009 and FY 2010 Appropriation Acts and as outlined in the FY 2009 and FY 2010 Congressional Budget Justifications. FY 2009 and FY 2010 resources are mapped in this table to the FY 2011 budget structure only for comparison.

OPERATING FUEL FACILITIES

NRC activities under Operating Fuel Facilities ensure that fuel facilities are licensed and operated in a manner that adequately protects the health and safety of the public, protects the environment, and provides high assurance of protection against radiological sabotage, theft or diversion of SNM. Once uranium ore has been mined and milled (extraction of uranium from the ore), it moves on to conversion, enrichment and fuel fabrication facilities. Conversion of the uranium changes it into a form suitable for enrichment, enrichment processes the uranium to a level and type suitable for nuclear fuel, and fabrication uses the enriched uranium to make fuel assemblies to fuel nuclear reactors. The NRC licenses, oversees, and regulates the facilities involved in the process such as extraction mills; conversion, enrichment, and fuel fabrication facilities; and research and testing facilities. There are six uranium enrichment facilities and seven licensed major fuel fabrication and production facilities in the United States (see Figure 14). Four uranium enrichment facilities are expected to be licensed to operate in FY 2011.

The NRC also licenses facilities to possess SNM, such as plutonium and enriched uranium. These SNM licensees verify and document their inventories in the Nuclear Materials Management and Safeguards System (NMMSS) database. In addition to tracking inventories, the database tracks material transfers. The NRC has licensed approximately 180 facilities to possess SNM in quantities ranging from a single kilogram to multiple tons.

Operating Fuel Facilities activities include the Nuclear Materials Information Program and the interagency agreement with DOE for certification and accreditation of classified computer systems at enrichment facilities. Activities include environmental, emergency preparedness, and licensee performance reviews; legal advice and representation; security support for licensing activities; inspection oversight; allegations and enforcement activities; rulemaking; international cooperation and assistance; IAEA missions; export and import licensing; and treaties, agreements, and conventions.

The NRC licenses, oversees, and regulates the facilities involved in the nuclear fuel cycle process such as extraction mills; conversion, enrichment, and fuel fabrication facilities; and fuel research and pilot facilities.

The NRC has organized Operating Fuel Facilities activities into product lines that best support safety and security strategies and significantly impact strategic outcomes as they relate to operating fuel facilities. The resources requested support all direct aspects of Operating Fuel Facilities within the following four product lines – Licensing, Oversight, Rulemaking, and International Activities. The outputs of these product lines contribute to the management of the NRC safety and security performance measures and their contribution to achievement of the strategic outcomes.

LICENSING

Strategic Goal Strategies Supported

Safety – Develop, maintain, and implement licensing and regulatory programs for fuel facilities material, spent fuel management, waste management, uranium recovery, and decommissioning.

Security – Review security plans and changes for consistency with security requirements.

Workload

For FY 2011, the NRC requests $11.1 million, including 42.7 FTE, to provide for Licensing activities. This represents a funding increase of $0.3 million, including 3.8 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Licensing Product Line supports licensing, overseeing, and regulating the facilities involved in the process, such as conversion, enrichment, and fuel fabrication facilities, and research and pilot facilities. The nuclear fuel regulatory cycle process begins with extraction of uranium from the ore, conversion of the uranium into a form suitable for enrichment, enrichment of the uranium to a level and type suitable for nuclear fuel, and then using the enriched uranium in fabricating fuel assemblies for use in nuclear reactors.

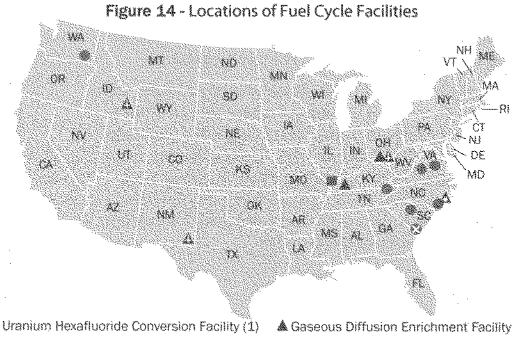
Resources support performing licensing reviews for operating fuel facilities and licensees with greater than critical mass quantities of SNM. Additionally, resources are included for operation and maintenance of the NMMSS database; the Nuclear Materials Information Program; environmental reviews for license renewals, the Westinghouse Dry Conversion Facility Environmental Impact Statement (EIS), and the Louisiana Energy Services (LES) Expansion Supplemental EIS; security support for licensing activities; support for Defense Tracking Tech Systems; and emergency preparedness licensing reviews.

Licensing activities are the methods the NRC employs to confirm that existing licensee requests for license renewals and changes are consistent with the NRC's rules and regulations to ensure the adequate protection of public health and safety, protect the environment, and provide high assurance of the physical security of fuel facilities.

Changes from FY 2010 Enacted

Workload and resources primarily increased in the Licensing Product Line because of classified computer system needs, and an increase in the Operating Fuel Facilities and decrease in New Fuel Facilities Business Lines in the area of environmental reviews to reflect that LES expansion is included in Operating Fuel Facilities, and security support.

Figure 14 - Locations of Fuel Cycle Facilities



■ Uranium Hexafluoride Conversion Facility (1)
● Uranium Fuel Fabrication Facility (6)
✪ Mixed Oxide Fuel Fabrication Facility (1)
▲ Gaseous Diffusion Enrichment Facility (2)
▲ Gas Centrifuge Enrichment Facility (3)
△ Laser Enrichment Facility (1)

Note: There are no fuel cycle facilities in Alaska or Hawaii.

OVERSIGHT

Strategic Goal Strategies Supported

Safety – Oversee licensee safety performance through inspections, investigations, enforcement, and performance assessment activities.

Security – Oversee licensee security performance through inspections and FOF exercises.

Workload

For FY 2011, the NRC requests $8.4 million, including 50.9 FTE, to provide for Oversight activities. This represents a funding decrease of $1.1 million, including 3.5 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Oversight Product Line supports baseline and reactive inspections at fuel facilities and other oversight activities with technical and licensing expertise, allegations and enforcement activities, licensee performance reviews, revising the fuel cycle oversight process, and supporting FOF activities. In FY 2011, Oversight continues to ensure that the currently licensed seven fuel fabrication and production facilities and four uranium enrichment facilities are operating safely and securely in accordance with NRC rules and regulations.

The Oversight Product Line continuously monitors the safe and secure operation of currently licensed fuel facilities to better identify significant performance issues. The Oversight process ensures that licensees take appropriate actions to maintain acceptable safety and security operating performance to ensure the adequate protection of public health and safety, protect the environment, and provide high assurance of the physical security of fuel facilities.

Changes from FY 2010 Enacted

As the workload remains level in the area, the decrease in contract support reflects reprogramming to the New Fuel Facilities Business Line to better align priorities. The FTE decrease reflects the reprogramming and efficiencies gained in the Operating Fuel Facilities Business Line.

RULEMAKING

Strategic Goal Strategies Supported

Safety – Maintain a framework of rules, regulatory guidance, and standard review plans that promote licensee compliance with underlying safety principles.

Security – Use a risk-informed approach to implement appropriate regulatory controls for the possession, handling, import, export and trans-shipment of radioactive materials.

Workload

For FY 2011, the NRC requests $1.1 million, including 6.3 FTE, to provide for rulemaking activities. This represents a funding decrease of $0.2 million, including 0.5 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Rulemaking Product Line provides resources to support four high-priority rulemakings and five medium-priority rulemakings in FY 2011. Resources provide for technical basis development, rulemaking, and guidance development activities in accordance with the agencywide rulemaking priorities for: 10 CFR Part 26, "Fitness for Duty Programs"; 10 CFR Part 40, "Domestic Licensing of Source Material"; 10 CFR Part 73, "Physical Protection of Plants and Materials"; and 10 CFR Part 74, "Material Control and Accounting of Special Nuclear Material."

Rulemaking maintains the NRC's safety and security framework of rules, regulatory guidance, and standard review plans that promote licensee compliance with underlying safety principles and security requirements.

Changes from FY 2010 Enacted

Workload and resources remain essentially level for this Product Line. Any slight changes are because of shifting activities to the New Fuel Facilities Business Line to better align priorities.

INTERNATIONAL ACTIVITIES

Strategic Goal Strategies Supported

Safety – Use international collaboration and coordination to inform decision-making.

Security – Promote U.S. national security interests and nuclear proliferation policy objectives for NRC-licensed imports and exports of source and special nuclear materials and nuclear equipment.

Workload

For FY 2011, the NRC requests $1.2 million, including 6.6 FTE, to provide for International Activities. This represents a funding decrease of less than $0.1 million, including 0.5 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The International Activities Product Line supports NRC work with international counterparts to exchange information, expertise, operating experiences, and ongoing research to recognize and respond to emerging technical issues and promote best safety and security practices. The NRC also participates in the development of international standards to ensure they are soundly based and determine whether substantial safety improvements can be identified and incorporated domestically. In FY 2011, the International Activities work includes multilateral cooperation and assistance; support for IAEA missions; export and import licensing; and international treaties, agreements, and conventions.

Changes from FY 2010 Enacted

Workload and resources remain level.

SIGNIFICANT ACCOMPLISHMENTS

In 2009, the program initiated the review of the AREVA uranium enrichment facility license application and of the GE-Hitachi environmental report. The program completed a 40-year license renewal for the AREVA Richland fuel fabrication facility, a regulatory gap analysis for spent fuel reprocessing, license transfers from BWX Technologies to Babcock & Wilcox Nuclear Operations Group (B&W NOG), and from Nuclear Fuel Services to B&W NOG, and completed recertification of the two gaseous diffusion plants.

OUTPUT MEASURES

LICENSING

Number of fuel cycle licensing actions (amendments, renewals, new applications, and reviews) from the date of acceptance completed per year.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	Complete 53 licensing actions.	Complete 52 licensing actions.	Complete 53 licensing actions.	Complete 53 licensing actions.	Measure discontinued after FY 2009	Measure discontinued after FY 2009
Actual:	64 completed	92 completed	85 completed	115 completed		

Safety and safeguards inspection modules. Complete all core and reactive inspection modules as scheduled in Fuel Cycle Master Inspection Plan.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	Complete 165 inspection modules.	Complete 218 inspection modules.	Complete 266 inspection modules.	Complete 286 inspection modules.	Complete 286 inspection modules.	Complete 328 inspection modules.*
Actual:	Completed 202 inspection modules.	Completed 306 inspection modules.	Completed 269 inspection modules.	Completed 286 inspection modules		

**LES and USEC/ACP are expected to commence enrichment operations during FY 2010.*

Timeliness of safety and safeguards inspection modules. Complete core inspection modules as scheduled in Fuel Cycle Master Inspection Plan.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	> 90% completed on time.	> 93% completed on time.	> 97% completed on time.	> 97% completed on time.	> 97% completed on time.	> 99% completed on time.
Actual:	99% completed on time. (Completed 100 inspections/ 202 modules).	100% completed on time.	100% completed on time.	100% completed on time		

In the above table, both the number of inspections and the number of modules are shown for FY 2006. Beginning in FY 2007, only modules are recorded in the table.

Timeliness in completing reviews for technical allegations.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	70% ≤ 150 days 90% ≤ 180 days 100% ≤ 360 days	70% ≤ 150 days 90% ≤ 180 days 100% ≤ 360 days	80% ≤ 150 days 90% ≤ 180 days 100% ≤ 360 days	90% ≤ 150 days 95% ≤ 180 days 100% ≤ 360 days	90% ≤ 150 days 95% ≤ 180 days 100% ≤ 360 days	90% ≤ 150 days 95% ≤ 180 days 100% ≤ 360 days
Actual:	93% ≤ 150 days. 100% ≤ 180 days. 100% ≤ 360 days	100% ≤ 150 days. 100% ≤ 180 days. 100% ≤ 360 days	100% ≤ 150 days. 100% ≤ 180 days. 100% ≤ 360 days	100%≤ 150 days 100% ≤ 180 days 100% ≤ 360 days		

New Fuel Facilities
(Dollars in Millions)

					FY 2011			
	FY 2009 Enacted		FY 2010 Enacted		Request		Changes from FY 2010	
Product Line	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**
Licensing	9.9	47.5	9.2	42.5	6.2	34.2	(3.0)	(8.3)
Oversight	2.0	12.9	2.6	15.6	2.6	15.9	0.0	0.3
Rulemaking	0.0	0.0	0.9	1.1	3.5	19.1	2.6	18.0
International Activities	.0	0.0	0.0	0.0	0.3	0.6	0.3	0.6
Research	0.4	1.6	0.3	1.3	0.3	1.3	0.0	0.0
Subtotal	**$2.3**	**62.0**	**$13.0**	**60.5**	**$12.9**	**71.1**	**($0.1)**	**10.6**
Corporate Support	7.0	15.6	7.0	15.5	8.4	18.6	1.4	3.1
Total	**$19.4**	**77.7**	**$20.0**	**76.0**	**$21.4**	**89.6**	**$1.4**	**13.6**

Numbers may not add due to rounding.

FY 2009 and FY 2010 enacted resources are respectively being executed according to the requirements in the FY 2009 and FY 2010 Appropriation Acts and as outlined in the FY 2009 and FY 2010 Congressional Budget Justifications. FY 2009 and FY 2010 resources are mapped in this table to the FY 2011 budget structure only for comparison.

NEW FUEL FACILITIES

New Fuel Facilities encompasses the licensing and other regulatory activities associated with authorizing new fuel cycle facilities to operate in the United States. The nuclear fuel cycle process (see Figure 15) begins with conversion of the uranium into a form suitable for enrichment, enrichment of the uranium to a level and type suitable for nuclear fuel, and then using the enriched uranium in fabricating fuel assemblies for use in nuclear reactors. As presented in the highlights for Operating Fuel Facilities, the NRC licenses, oversees, and regulates the facilities involved in the process such as conversion, enrichment, and fuel fabrication facilities and nuclear fuel research and testing facilities. The New Fuel Facilities business line also incorporates activities related to reprocessing facilities.

The New Fuel Facilities workload includes the reviews for the AREVA Centrifuge and GE-Hitachi laser enrichment facility applications and the International Isotopes depleted uranium de-conversion facility, and issuance of the Mixed Oxide Fuel Fabrication Facility (MOX) Safety Evaluation Report (SER) and associated hearings.

The NRC has organized New Fuel Facilities activities into product lines that best support safety and security strategies and impact strategic outcomes as they relate to new fuel facilities. Resources support all direct aspects of New Fuel Facilities within the following five Product Lines: Licensing, Oversight, Rulemaking, International Activities, and Research. The outputs of these product lines contribute to the scoring of the NRC safety and security performance measures and their contribution to achievement of strategic outcomes. These activities are designed to ensure that the development of new fuel facilities is done in a manner that adequately protects the public health and safety, protects the environment, and provides high assurance of protection against radiological sabotage, theft, or diversion of special nuclear material.

The New Fuel Facilities activities include licensing, certification, inspection, environmental reviews, research, adjudication, enforcement, allegation, and other regulatory actions.

LICENSING

Strategic Goal Strategies Supported

Safety – Develop, maintain, and implement licensing and regulatory programs for fuel facilities, materials, spent fuel management, waste management, uranium recovery, and decommissioning activities.

Security – Review security plans for consistency with security requirements.

Workload

For FY 2011, the NRC requests $6.2 million, including 34.2 FTE, to provide for Licensing activities. This represents a funding decrease of $3.0 million, including 8.3 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Licensing Product Line supports plans for the development, construction, and subsequent operation of new fuel facilities so they provide for an adequate margin of safety and security consistent with the NRC's rules and regulations to ensure the adequate protection of public health and safety and the environment. Resources provide for the completion of MOX Fuel Fabrication Facility operating license review and hearing support, licensing and environmental reviews, adjudicatory hearing-related activities, legal advice and representation for AREVA and GE-Hitachi Laser Enrichment reviews, and support for emergency preparedness reviews for new license applications for fuel cycle facilities. Resources also support the review of the International Isotopes depleted uranium de-conversion facility. The International Isotopes review will continue into FY 2012.

Changes from FY 2010 Enacted

The workload and resources for this product line decreased due to completion of the technical and environmental reviews for several facilities earlier than planned.

OVERSIGHT

Workload

Strategic Goal Strategies Supported

Safety – Oversee the construction and development of new fuel facilities.

Security – Review security plans for new fuel facilities for consistency with security requirements.

For FY 2011, the NRC requests $2.6 million, including 15.9 FTE, to provide for Oversight activities. This represents essentially flat funding when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Oversight Product Line focuses on overseeing and monitoring the construction of new fuel facilities. Oversight

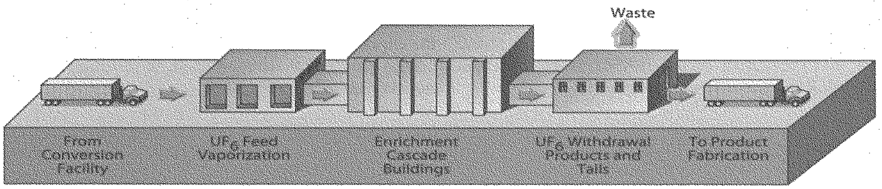


Figure 15 - Typical Uranium Enrichment Facility

resources will provide support for construction oversight, which continues at the MOX Fuel Fabrication Facility, LES, and USEC/ACP, as well as preconstruction activities at GE-Hitachi. Resources support safeguards inspections, allegations, and enforcement activities; the physical and infrastructure security at GE-Hitachi; and the expansion in new fuel facilities. Oversight seeks to verify that the new fuel facilities development process will result in facilities that ensure the adequate protection of public health and safety, protection of the environment, and high assurance of physical security.

Changes from FY 2010 Enacted

Workload and contract support resources remain level. The FTE increase is because of the physical and infrastructure security at GE-Hitachi, the expansion in new fuel facilities, and support for construction oversight.

RULEMAKING

Strategic Goal Strategies Supported

Safety – Use sound science and state-of-the-art methods to establish, where appropriate, risk-informed and performance-based regulations.

Security – Use a framework of rules and regulations to guide the security activities of the agency.

Workload

For FY 2011, the NRC requests $3.5 million, including 19.1 FTE, to provide for Rulemaking activities. This represents an increase of $2.6 million, including 18.0 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The NRC has received two letters from private firms expressing their intent to submit license applications within five years for commercial reprocessing facilities. In response, the NRC must prepare itself for such applications by developing an applicable regulatory framework.

The Rulemaking Product Line supports the development of the reprocessing proposed rule. Resources provide for the development of a draft Environmental Impact Statement for reprocessing facilities. Rulemaking maintains the NRC's safety and security framework of rules, regulatory guidance, and standard review plans that promote license compliance with underlying safety principles and security requirements. These activities are being closely coordinated with efforts in the Integrated Spent Fuel Management Business Line.

Changes from FY 2010 Enacted

Workload and resources are increasing in this product line to support preliminary reprocessing rule development activities.

INTERNATIONAL ACTIVITIES

Strategic Goal Strategies Supported

Safety – Use domestic and international operating experience to inform decision-making.

Security – Work with international counterparts to exchange information.

Workload

For FY 2011, the NRC requests $0.3 million, including 0.6 FTE, to provide for International Activities. This represents a funding increase of $0.3 million, including 0.6 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The International Activities Product Line supports the IAEA safeguards programs for new enrichment facilities and the MOX Fuel Fabrication Facility. Through International Activities, the NRC works with international counterparts to exchange information, expertise, operating experiences, and ongoing research to recognize and respond to emerging technical issues and promote best safety and security practices.

Changes from FY 2010 Enacted

An increase in contract support resources reflects the shift in FY 2011 of funds from the Operating Fuel Facilities Business Line to the New Fuel Facilities Business Line to better align workload priorities.

RESEARCH

Strategic Goal Strategies Supported

Safety – Improve the NRC's regulatory programs and apply safety-focused research to anticipate and resolve safety issues.

Security – Use research to inform the security activities of the agency.

Workload

For FY 2011, the NRC requests $0.3 million, including 1.3 FTE, to provide for Research activities. This represents a flat budget when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Research Product Line supports the review of gas centrifuge, laser enrichment, and MOX fuel fabrication facility license applications, including the GE-Hitachi laser enrichment application and the AREVA gas centrifuge application in FY 2011. Research will review the geologic, seismic, structural, external events, instrumentation and control, and human factors aspects of the applications requests.

Through Research, the NRC identifies, leads, and/or sponsors reviews that support the resolution of ongoing and future safety issues, including providing tools and expertise needed to support the NRC's independent decision-making process.

Changes in FY 2010 Enacted

Workload and resources remain level.

SIGNIFICANT ACCOMPLISHMENTS

The NRC began the review process for the GE-Hitachi license application.

OUTPUT MEASURES

LICENSING

New Fuel Facilities hearing support*

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	New efficiency measure in FY 2011					Actual hours expended on major tasks in support of licensing board hearings as documented in the Fuel Cycle Safety and Safeguards Division Operating Plan will not exceed the projected hours by more than 10 percent.
Actual:						

* *Targets, baselines, and calculation methods are under development and measure may be revised.*

OVERSIGHT

Timeliness in completing reviews for technical allegations.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	Reviews for New Fuel Facilities will not be executed separately from Operating Fuel Facilities until FY 2010.				90% ≤ 150 days 95% ≤ 180 days 100% ≤ 360 days	90% ≤ 150 days 95% ≤ 180 days 100% ≤ 360 days
Actual:						

Nuclear Materials Users
(Dollars in Millions)

					FY 2011			
	FY 2009 Enacted		FY 2010 Enacted		Request		Changes from FY 2010	
Product Line	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**
Licensing	16.5	81.2	15.9	71.8	14.1	73.9	(1.8)	2.1
Oversight	22.7	91.0	27.6	104.4	28.9	104.4	1.3	0.0
Rulemaking	6.8	38.5	6.6	37.8	6.3	35.8	(0.3)	(2.0)
International Activities	1.9	11.5	2.1	12.7	2.2	13.0	0.1	0.3
Research	0.2	1.5	1.1	3.0	1.4	4.4	0.3	1.4
Event Response	0.4	2.7	0.4	2.7	0.5	2.8	0.1	0.1
Agreement State Support	8.6	42.1	9.3	43.2	9.0	41.6	(0.3)	(1.6)
Subtotal	**$57.1**	**268.5**	**$63.0**	**275.6**	**$62.4**	**275.9**	**($0.6)**	**0.3**
Corporate Support	27.9	61.9	28.5	63.0	28.3	62.5	(0.2)	(0.5)
Total	**$85.0**	**330.3**	**$91.6**	**338.5**	**$90.7**	**338.4**	**($0.9)**	**(0.1)**

Numbers may not add due to rounding.

FY 2009 and FY 2010 enacted resources are respectively being executed according to the requirements in the FY 2009 and FY 2010 Appropriation Acts and as outlined in the FY 2009 and FY 2010 Congressional Budget Justifications. FY 2009 and FY 2010 resources are mapped in this table to the FY 2011 budget structure only for comparison.

NUCLEAR MATERIALS USERS

Nuclear materials have many industrial, medical, and academic uses. The NRC licenses, oversees, and regulates large and small users of nuclear materials, such as radiographers, hospitals, private physicians, nuclear gauge users, irradiators, and universities.

Nuclear Materials Users activities support the licensing, inspection, event evaluation, research, incident response, allegation, enforcement, and rulemaking to maintain the regulatory safety and security infrastructure needed to process and handle nuclear materials. The agency's safety activities include completion of approximately 2,500 materials licensing actions and 1,200 routine health and safety inspections, including naturally occurring and accelerator-produced radioactive material (NARM) inspections. The NRC will also work on approximately 20—25 active materials and waste rulemakings.

The Agreement State program has been in existence since 1959 with the adoption of Section 274 of the Atomic Energy Act. The Agreement State program is a discontinuance of NRC regulatory authority over certain radioactive materials and assumption of that authority by the State government. Currently there are 37 Agreement States, and 3 more States have indicated interest in becoming an Agreement State. Under Section 274, the NRC has programmatic oversight responsibility to periodically review the actions of the Agreement States to comply with the requirements of the Atomic Energy Act of 1954, as amended, to continue to maintain adequate and compatible programs. While this authority is reserved to the NRC, the current review process under the Integrated Materials Performance Evaluation Program (IMPEP) is conducted with State staff participation under the National Materials Program. The IMPEP process employs a team of NRC and Agreement State staff to assess Agreement State and NRC regional and certain NRC Headquarters radioactive materials programs. The NRC will conduct materials activities related to Agreement States, including oversight, technical assistance, regulatory development, and cooperative efforts. This includes security

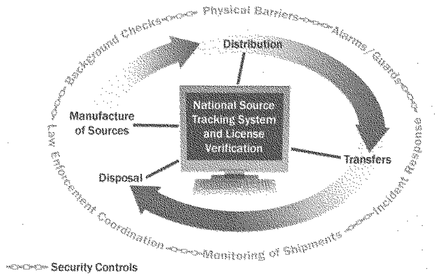
Together, the NRC and Agreement States Regulate more than 22,000 specific and 150,000 general licenses for nuclear materials users.

inspections of Agreement State licensees in FY 2011. The NRC will continue to fund the cost of Agreement State staff training, including associated travel costs.

Materials activities include reviews and issuance of NRC import/export authorizations, materials-related wrongdoing investigations, adjudicatory hearings for materials licensing and enforcement proceedings, technical training, and continuous improvements and centralized oversight of information technology and information management.

Nuclear Materials Users security activities, (see Figure 16), include the implementation and operation of a national registry (i.e., the National Source Tracking System (NSTS)) of radioactive sources of concern, the implementation of the Web-Based Licensing (WBL) System, and the development of the License Verification System to improve controls on risk-significant radioactive materials to prevent their malevolent use. In addition, resources continue to support infrastructure revisions to integrate and address potential security vulnerabilities identified by the U.S. Government Accountability Office (GAO) and the National Academy of Sciences. Activities also include conducting inspections of increased controls at materials facilities; security inspections of irradiators, manufacturers and distributors, and radioactive materials in quantities of concern; and pre-licensing inspections of new materials applicants. All of these activities will strengthen controls for the possession, handling, import, and export of nuclear materials. In addition, resources will be used to conduct the NRC's Agreement State liaison activities regarding enhanced control and security actions for materials licensees, as well as cooperative efforts and liaison with all State and local governments and Native American Tribal organizations in matters related to homeland security for nuclear waste and materials.

Figure 16 - Life Cycle Approach to Source Security



LICENSING

Strategic Goal Strategies Supported

Safety – Develop, maintain, and implement licensing and regulatory programs for fuel facilities, materials, spent fuel management, waste management, uranium recovery, and decommissioning activities.

Security – Support Federal response plans that employ an approach to the security of nuclear facilities and radioactive material that integrates the efforts of licensees, Federal, State, local, and tribal authorities.

Workload

For FY 2011, the NRC requests $14.1 million, including 73.9 FTE, to provide for Licensing activities. This represents a funding decrease of $1.8 million, although the FTE increase by 2.1 FTE when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Licensing Product Line supports completing approximately 2,200 materials licensing actions (new applications, amendments, renewals, and terminations) in FY 2010 and 2,500 in FY 2011. It is anticipated that materials licensing receipts will be slightly higher because of an increase in the number of renewal applications. Licensing confirms that requests to use nuclear materials or modify existing uses provide an adequate margin of safety and security consistent with the NRC's rules and regulations to ensure the adequate protection of public health and safety, protect the environment, and provide high assurance of physical security. The agency will complete program revisions to address the recommendations for enhanced security in the materials licensing process.

Resources increase over the planning period for legal assistance supporting materials licensing. In FY 2011, the agency expects at least one as-yet-undetermined materials licensing action that would be in the contention and pre-hearing stages. Resources will also support additional guidance for Agreement State implementation of the conversion of general licensees to specific licensees, and NSTS implementation.

Changes from FY 2010 Enacted

Workload and FTE resources are increasing for this product line. FTE increase slightly due to the increase in renewal applications and increases in legal advice for licensing hearings. In FY 2011 comparability adjustment between product lines occurred to realign the WBL System resources from Licensing to Oversight as they are now integrated with the Oversight information technology initiatives.

OVERSIGHT

Strategic Goal Strategies Supported

Safety – Oversee licensee safety performance through inspections, investigations, enforcement, and performance assessment activities.

Security – Enhance the programs to control the security of radioactive sources and strategic special nuclear materials commensurate with their risk, including enhancement required by the Energy Policy Act of 2005.

Workload

For FY 2011, the NRC requests $28.9 million, including 104.4 FTE, to provide for Oversight activities. This represents a funding increase of $1.3 million, with FTE remaining flat, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Oversight Product Line provides for the continued safe and secure use of nuclear materials. These activities provide the means to identify significant issues and ensure that licensees take appropriate actions to maintain acceptable levels of safety and security in their operating procedures, performance, and use of nuclear materials. Oversight includes resources for inspections, event evaluations, investigations, allegation and enforcement, and related activities associated with the management and oversight of nuclear materials. Resources provide for coordination and liaison with State and local governments, Federal agencies, and Native American Tribal organizations on policy, notifications of interest, and homeland security initiatives for nuclear waste and materials.

The workload includes completion of approximately 1,200 routine health and safety inspections in FY 2010 and 1,200 in FY 2011, as well as reciprocity inspections and a registration and followup inspection program for certain general licensees. Inspections for NARM licenses are planned. The NRC will also inspect Agreement State licensees operating under reciprocity in NRC jurisdictions, and perform security inspections of NRC licensees to ensure the proper control of material above Category 2 quantities.

Oversight supports investigations of wrongdoing, materials-related enforcement actions, oversight of the Alternative Dispute Resolution (ADR) and Allegation Programs, funding for ADR, one staff detail to the U.S. Department of Homeland Security's Domestic Nuclear Detection Office, and advance notice tracking of shipments of radioactive materials in quantities of concern.

FY 2011 resources also support the Nuclear Materials Events Database and implementation of the recommendations from the materials working group and external independent review working group to revise the licensing and inspection infrastructure.

This product line provides for the State, Federal and Tribal Liaison Program that informs, notifies, and coordinates with

Governor-appointed representatives, other Federal agencies, and Native American tribal organizations on matters in the Nuclear Materials and Waste Safety Program, including new or revised regulations, policy and guidance, and homeland security initiatives. This outreach enhances public confidence in the NMP and collects input from NRC stakeholders.

In FY 2011, the NRC plans to coordinate with certain States on Section 274i agreements and with all States on homeland security. These activities include support for the development and distribution of advisories, development and implementation of additional security measures (e.g., implementing guidance), and ensuring other homeland security information is provided to appropriate individuals in State and local governments who are authorized to receive such material. The NRC will need to continue to develop, coordinate, and assist in the maintenance of Section 274i agreements with States to conduct security inspections for NRC-issued security orders.

Resources support continued operation of the NSTS, which includes ongoing enhancements to the system. In FY 2011, resources are level for agency support of information technology requirements for funding tokens and credential costs for the NSTS, as well as the costs associated with continued development of the LVS for both the NSTS and WBL System.

Resources remain level in FY 2011 for continued implementation, improvements, and centralized oversight of the WBL System, including (1) enhanced independent verification and validation, (2) expanding coverage to include Agreement States for license validations, and (3) systems maintenance.

Nuclear Gauge

Changes from FY 2010 Enacted

As the workload remains level for this area, the contract support resources increase because a comparability adjustment between product lines occurred to realign the WBL System resources from Licensing to Oversight, as they are now integrated with the Oversight information technology initiatives.

RULEMAKING

Strategic Goal Strategies Supported

Safety – Use sound science and state-of-the-art methods to establish, where appropriate, risk-informed and performance-based regulations.

Security – Use a risk-informed approach to implement appropriate regulatory controls for the possession, handling, import, export, transshipment of radioactive materials.

Workload

For FY 2011, the NRC requests $6.3 million, including 35.8 FTE, to provide for Rulemaking activities. This represents a funding decrease of $0.3 million, including 2.0 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Rulemaking Product Line will maintain the regulatory infrastructure needed to process and handle nuclear materials and support to the homeland security regulatory improvement initiatives. Rules, guidance, and regulations promote licensee compliance with underlying safety principles and security requirements.

Rulemaking activities include homeland security regulatory improvements, work on approximately 20—25 active materials and waste safety and security rulemakings in FY 2010 and FY 2011, as well as continued interactive liaison with industry and professional societies to develop new codes and consensus standards and to address petitions for rulemaking submitted to the agency. Resources are provided to conduct the necessary rulemaking activities to develop or revise appropriate regulatory controls for the possession, handling, import, and export of nuclear materials. Several major high-priority rulemakings will put in place generally applicable security requirements on NRC-licensed activities. Rulemaking resources systematically improve the NRC's regulatory program to ensure the safe use and management of nuclear materials and to resolve safety issues. They also improve the agency's regulations by adding needed requirements, eliminating unnecessary requirements, and minimizing jurisdictional overlaps. The agency will continue work on all high- and medium-priority rulemakings.

Changes from FY 2010 Enacted

Workload and resources remain essentially level.

INTERNATIONAL ACTIVITIES

Strategic Goal Strategies Supported

Safety – Use domestic and international collaboration and cooperation to inform decision-making.

Security – Promote U.S. national security interests and nuclear proliferation policy objectives for NRC-licensed imports and exports of source and special nuclear materials and nuclear equipment.

Workload

For FY 2011, the NRC requests $2.2 million, including 13.0 FTE to provide for International Activities. This represents a funding increase of $0.1 million, including 0.3 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The International Activities Product Line supports NRC expectations to complete reviews and make decisions on 135–180 import/export authorizations of nuclear components and radiological materials, continue the control and tracking of imports and exports of sources, and support bilateral and multilateral activities initiated for the exchange of technical information for the safe handling, storage, transport, and disposal of nuclear waste. Resources also provide for assistance activities related to the safety and security of medical and industrial sources, support to the IAEA missions related to training and regulation of nuclear materials, and assistance to foreign regulatory bodies through the assignee program. Resources in FY 2011 will remain essentially level for the workload associated with International Activities.

Resources also support international committees and groups, the development of memoranda of understanding, and specifically intergovernmental coordination and communication with the Government Coordinating Council, National Nuclear Security Administration, and various trilateral activities. Resources support multilateral and bilateral international activities related to the NRC's mission as well as broader U.S. domestic and international interests for nuclear safety and security.

The International Activities Product Line provides the means to work with international counterparts to exchange information, expertise, operating experience, and ongoing research to recognize and respond to emerging technical issues and promote best safety and security practices. The NRC also participates in the development of international standards to ensure they are soundly based and determine whether substantial safety improvements can be identified and incorporated domestically.

Changes from FY 2010 Enacted

Workload and resources remain level.

RESEARCH

Strategic Goal Strategies Supported

Safety – Improve the NRC's regulatory programs and apply safety-focused research to anticipate and resolve safety issues.

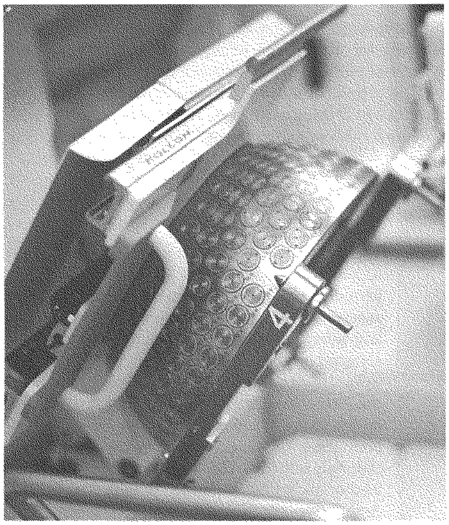
Security – Use research to inform the security activities of the agency.

Workload

For FY 2011, the NRC requests $1.4 million, including 4.4 FTE, to provide for Research activities. This represents a funding increase of $0.3 million, including 1.4 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Research Product Line supports developing tools informed by human reliability analysis for byproduct materials license applications. For the medical and industrial sectors, Research supports radiation protection regulations and guidance related to the 2007 recommendations of the International Commission on Radiation Protection (ICRP). Funding increases in FY 2010 and FY 2011 to develop modern hand/body phantom models and for research in support of the development of radiation protection regulations and guidance.

Research provides the means to identify, lead, and/or sponsor reviews that support the resolution of ongoing and future safety issues, including providing tools and expertise needed to support the NRC's independent decision-making process.



Leksell Gamma Knife® Collimator Helmet (Courtesy of Elekta)

Changes from FY 2010 Enacted

Workload and resources are increasing mainly because of development of radiation protection regulations and guidance related to the 2007 recommendations of the International Commission on Radiation Protection.

EVENT RESPONSE

Strategic Goal Strategies Supported

Safety – Effectively respond to events at NRC-licensed facilities and other events of national interest, including maintaining and enhancing the NRC's critical incident response and communication capabilities.

Security – Support Federal response plans that employ an approach to the security of nuclear facilities and radioactive material that integrates the efforts of licensees and Federal, State, local, and tribal authorities.

Workload

For FY 2011, the NRC requests $0.5 million, including 2.8 FTE to provide for Event Response activities. This represents a funding increase of $0.1 million, including 0.1 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Event Response Product Line provides the means to effectively respond to events involving nuclear materials, including maintaining and enhancing the NRC's critical incident response and communication capabilities. In FY 2011, the budget for the Event Response Product Line supports incident response actions for materials licensees, including the maintenance of a 24/7 response capability for materials-related incidents.

Changes from FY 2010 Current Enacted

Workload and resources remain level.

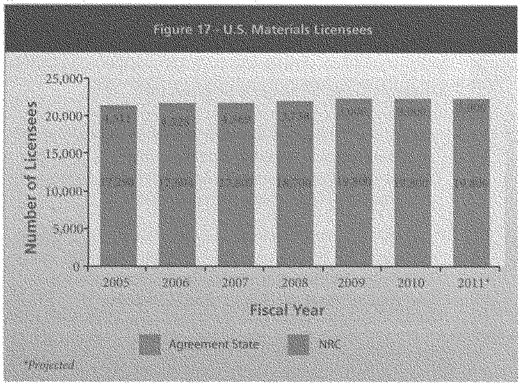


Figure 17 - U.S. Materials Licensees

AGREEMENT STATE SUPPORT

Strategic Goal Strategies Supported

Safety – Continue to support Agreement States to develop, maintain, and implement licensing and regulatory programs for materials users.

Security – Share security information with appropriate stakeholders and international partners.

Workload

For FY 2011, the NRC requests $9.0 million, including 41.6 FTE, to provide for Agreement State Support activities. This represents a slight funding decrease of $0.3 million, including 1.6 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Atomic Energy Act of 1954, as amended, provides authority for the NRC to relinquish to a State, by written agreement, portions of its regulatory authority to license and regulate byproduct materials, source materials, and certain quantities of SNM. Currently, the NRC has partnered with 37 States for this purpose and continually provides assistance and support to these Agreement States. Together the NRC and Agreement States regulate nearly 23,000 specific and 150,000 general licenses (see Figure 17).

The Agreement State Support Product Line supports the activities of Agreement States and periodic reviews of Agreement State programs to ensure they are adequate to protect public health and safety and protect the environment, and are compatible with NRC programs. The NRC will work closely with the Agreement States to develop consistent, risk-informed processes to review event information and identify safety issues for materials licensees. Resources provide for conducting materials activities related to Agreement States and liaison, including oversight, technical assistance, cooperative efforts, and enhanced control and security actions for materials licensees. Resources also fund NRC-sponsored Agreement State training and travel activities.

Resources remain relatively constant for continued implementation of the Agreement State program. The resources provide support to conduct 10-12 Integrated Materials Performance Evaluation Program (IMPEP) reviews, process one new agreement, process 50 Agreement State incidents/events, participate in and coordinate State participation in regulatory development, coordinate State participation in NRC training courses, respond to State technical assistance requests, respond to or coordinate responses to allegations about Agreement State licensees or regulatory programs, interact with the Conference of Radiation Control Program Directors, Inc., and the Organization of Agreement States, Inc., and develop/maintain policies and procedures for the program. This activity includes the statutory requirement for the agency to make a determination that all applicable standards and requirements have been met before the Agreement State terminates a uranium milling license, and that alternate 11e.(2) standards are adequate before Agreement State implements them (1-2 cases/year). Coordination with the Agreement States in the LLW and decommissioning area is critical. All currently operating LLW sites are located in Agreement States. NRC activities evaluate the safety effectiveness of the Agreement State programs and provide public confidence and assurance that the Agreement States are conducting adequate and compatible programs. The NRC will continue to coordinate the effort for the implementation of the increased control requirements in the Agreement States.

With respect to new Agreement States, Michigan has submitted a letter of intent to become an Agreement State in FY 2013. Connecticut, Hawaii, and West Virginia have also expressed interest in becoming Agreement States, although their respective Governors have not yet submitted a letter of intent. Given this interest, resource needs for new agreements continue to be reflected in FY 2011 and beyond.

Changes from FY 2010 Enacted

Workload and resources remain essentially flat for this area. The slight decrease in funding is due to reduction in FTE from the transfer of resources to the Oversight Product Line for the State, Federal and Tribal Liaison program which is partially offset by a slight increase in funding to support costs associated with NRC-sponsored Agreement State training.

SIGNIFICANT ACCOMPLISHMENTS

In FY 2009, the NRC deployed the NSTS, a centralized national registry that provides lifetime accounting of certain high-risk radioactive materials used in industry, medicine, and research. Licensees were required to begin using the system by January 31, 2009. Virginia became an Agreement State on March 31, 2009. New Jersey became an Agreement State on September 30, 2009. These two new Agreement States will take over regulatory responsibility for approximately 800 materials licensees. The program also has completed approximately 2,900 materials licensing actions and 1,200 routine health and safety inspections. The NRC completed eight IMPEP reviews of Agreement States and one IMPEP review of an NRC regional office.

OUTPUT MEASURES

LICENSING

Timeliness of licensing actions-review of application for new materials licenses and license amendments.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	90% ≤ 90 days 100% ≤ 1 yr.	92% ≤ 90 days 100% ≤ 1 yr.	80% ≤ 90 days 100% ≤ 2 yrs.	85% ≤ 90 days 100% ≤ 2 yrs.	90% ≤ 90 days 100% ≤ 2 yrs.	92% ≤ 90 days 100% ≤ 2 yrs.
Actual:	98% ≤ 90 days 100% ≤ 1 yr.	98% ≤ 90 days 99.8% ≤ 1 yr.	98% ≤ 90 days 100% ≤ 1 yr.	97% ≤ 90 days 100% ≤ 2 yrs.		

Timeliness of licensing actions - review of applications for materials license renewals and sealed source and device designs.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	90% ≤ 180 days 100% ≤ 2 yrs.	92% ≤ 180 days 100% ≤ 2 yrs.	80% ≤ 180 days 100% ≤ 2 yrs.	80% ≤ 180 days 100% ≤ 2 yrs.	90% ≤ 180 days 100% ≤ 2 yrs.	92% ≤ 90 days 100% ≤ 2 yrs.
Actual:	94% ≤ 180 days 100% ≤ 2 yrs.	98% ≤ 180 days 100% ≤ 2 yrs.	94% ≤ 180 days 100% ≤ 2 yrs.	91% ≤ 180 days 100% ≤ 2 yrs.		

OVERSIGHT

Timeliness of safety inspections of materials licensees.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	> 90% completed on time.	> 90% completed on time.	> 95% completed on time.	> 98% completed on time.	> 98% completed on time.	> 98% completed on time.
Actual:	99% completed on time.	99% completed on time.	99% completed on time.	99% completed on time.		

Timeliness in completing reviews for technical allegations.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	70% ≤ 150 days 90% ≤ 180 days 100% ≤ 360 days	70% ≤ 150 days 90% ≤ 180 days 100% ≤ 360 days	80% ≤ 150 days 90% ≤ 180 days 100% ≤ 360 days	90% ≤ 150 days 95% ≤ 180 days 100% ≤ 360 days	90% ≤ 150 days 95% ≤ 180 days 100% ≤ 360 days	90% ≤ 150 days 95% ≤ 180 days 100% ≤ 360 days
Actual:	96% ≤ 150 days 100% ≤ 180 days 100% ≤ 360 days	90% ≤ 150 days 99% ≤ 180 days 100% ≤ 360 days	92% ≤ 150 days 95% ≤ 180 days 98% ≤ 360 days	98% ≤ 150 days 100% ≤ 180 days 100% ≤ 360 days		

Timeliness in completing enforcement actions.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	Investigation cases: 100% completed within 360 days of OE processing time. Non Investigation cases: 100% completed within 180 days of OE processing time.	Investigation cases: 100% completed within 360 days of OE processing time. Non Investigation cases: 100% completed within 180 days of OE processing time.	Investigation cases: 100% completed within 360 days of OE processing time. Non Investigation cases: 100% completed within 180 days of OE processing time.	Investigation cases: 100% completed within 360 days of OE processing time. Non Investigation cases: 100% completed within 180 days of OE processing time.	Investigation cases: 100% completed within 360 days of OE processing time. Non Investigation cases: 100% completed within 180 days of OE processing time.	Investigation cases: 100% completed within 360 days of OE processing time. Non Investigation cases: 100% completed within 180 days of OE processing time.
Actual:	Investigation: None ≥ 360 days Non-Investigations: None ≥ 180 days	Investigation: None ≥ 360 days Non-Investigations: None ≥ 180 days	Investigation: None ≥ 360 days Non-Investigations: None ≥ 180 days	Investigation: None ≥ 360 days Non-Investigations: None ≥ 180 days		

Timeliness in completing investigations - Target 1.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	80% of investigations that developed sufficient information to reach a conclusion regarding wrongdoing will be completed in 10 months or less.	85% of investigations that developed sufficient information to reach a conclusion regarding wrongdoing will be completed in 10 months or less.	85% of investigations that developed sufficient information to reach a conclusion regarding wrongdoing will be completed in 10 months or less.	85% of investigations that developed sufficient information to reach a conclusion regarding wrongdoing will be completed in 10 months or less.	85% of investigations that developed sufficient information to reach a conclusion regarding wrongdoing will be completed in 9 months or less.	85% of investigations that developed sufficient information to reach a conclusion regarding wrongdoing will be completed in 9 months or less.
Actual:	83.7%	96.2%	Completed 37 investigations that developed sufficient information to reach a conclusion regarding wrongdoing in 10 months or less.	Completed 33 investigation in which 100% (33) developed sufficient information to reach a conclusion regarding wrongdoing were completed in 10 months of less.		

Timeliness in completing investigations - Target 2

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	New measure in FY 2007	Close 100% of OI investigations in time to initiate civil and/or criminal enforcement action.	Close 100% of OI investigations in time to initiate civil and/or criminal enforcement action.	Close 100% of OI investigations in time to initiate civil and/or criminal enforcement action.	Close 100% of OI investigations in time to initiate civil and/or criminal enforcement action.	Close 100% of OI investigations in time to initiate civil and/or criminal enforcement action.
Actual:		100%	100%	100%		

RULEMAKING

Percentage of Materials and Waste rulemaking activities completed on schedule.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	New measure in FY 2009			90%	90%	90%
Actual:				100%		

INTERNATIONAL ACTIVITIES

Issuance of NRC import/export authorizations

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	Complete reviews for, and issue as appropriate, 160-225 NRC import/export authorizations (NRC licenses or amendments). Staff reviews will be completed for 100% of the cases within 60 days.	Complete reviews for, and issue as appropriate, 160-225 NRC import/export authorizations (NRC licenses or amendments). Staff reviews will be completed for 100% of the cases within 60 days.	Complete reviews for, and issue as appropriate, 150-200 NRC import/export authorizations (NRC licenses or amendments). Staff reviews will be completed for 100% of the cases within 60 days.	Complete reviews for, and issue as appropriate, 150-200 NRC import/export authorizations (NRC licenses or amendments). Staff reviews will be completed for 100% of the cases within 60 days.	Complete reviews for, and issue as appropriate, 150-200 NRC import/export authorizations (NRC licenses or amendments). Staff reviews will be completed for >95% of the cases within 60 days.	Complete reviews for, and issue as appropriate, 150-200 NRC import/export authorizations (NRC licenses or amendments). Staff reviews will be completed for >95% of the cases within 60 days.
Actual:	Completed 152 staff reviews. 100% were completed within 60 days.	Completed 153 staff reviews. 97% were completed within 60 days.	Completed 136 staff reviews. 95% were completed within 60 days.	Completed 139 staff reviews. 97.8% were completed within 60 days.		

Spent Fuel Storage and Transportation
(Dollars in Millions)

					FY 2011			
	FY 2009 Enacted		FY 2010 Enacted		Request		Changes from FY 2010	
Product Line	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**
Licensing	10.2	48.8	14.9	54.8	10.4	52.5	(4.5)	(2.3)
Oversight	3.1	18.8	2.9	18.2	2.8	17.4	(0.1)	(0.8)
Rulemaking	1.4	7.6	5.1	5.5	3.2	19.4	(1.9)	13.9
International Activities	0.4	1.7	0.4	1.7	0.9	4.1	0.5	2.4
Research	1.4	3.7	1.3	2.6	0.9	1.3	(0.4)	(1.3)
Subtotal	**$16.5**	**80.6**	**$24.6**	**82.8**	**$18.2**	**94.7**	**($0.4)**	**11.9**
Corporate Support	8.8	19.6	11.5	25.3	11.4	25.1	(0.1)	(0.2)
Total	**$25.3**	**100.2**	**$36.1**	**124.1**	**$29.6**	**119.8**	**($6.5)**	**(4.3)**

Numbers may not add due to rounding.

FY 2009 and FY 2010 enacted resources are respectively being executed according to the requirements in the FY 2009 and FY 2010 Appropriation Acts and as outlined in the FY 2009 and FY 2010 Congressional Budget Justifications. FY 2009 and FY 2010 resources are mapped in this table to the FY 2011 budget structure only for comparison.

SPENT FUEL STORAGE AND TRANSPORTATION

Spent Fuel Storage and Transportation encompasses licensing the interim storage of spent fuel from commercial nuclear reactors, certifying radioactive material transportation packages, and inspecting storage cask and transportation package vendors, fabricators, and designers to ensure safety. The NRC licenses, oversees, and regulates the management and disposition of spent fuel. Spent fuel is initially stored in pools at reactor sites; then, after an appropriate time period, licensees may move the spent fuel to dry storage in casks certified by the NRC for such use.

About three million packages of radioactive materials are shipped each year in the United States by road, rail, air, or water. Regulating the safety of commercial radioactive material shipments is the joint responsibility of the NRC and the U.S. Department of Transportation. The NRC ensures transportation safety by reviewing and certifying shipping package designs for the transport of large quantities of radioactive materials and fissile materials. In addition, the NRC reviews and certifies shipping package designs for DOE, for example, packages used to transport transuranic waste to the Waste Isolation Pilot Plant in New Mexico.

About three million packages of radioactive materials are shipped each year in the U.S. by road, rail, air or water.

The NRC expects to review license requests for ISFSIs, spent fuel storage casks, transportation packages, dual-purpose (storage and transport) casks, transportation security plans, and route approvals. Spent Fuel Storage and Transportation supports the review of approximately 80 transportation package designs and approximately 25 spent fuel storage casks and spent fuel storage facilities to support safe and secure domestic and international transportation, industry needs for full-core offload capability at operating reactor sites, and transfer of spent fuel to ISFSIs to facilitate reactor decommissioning.

Resources also support licensing and inspection activities associated with transportation security for radioactive material in quantities of concern, for SNM and spent nuclear fuel, and support activities associated with the transport and protection of classified materials, security plan reviews for new licensees, route approvals, and maintenance of shipment information. Additionally, resources support approximately

15 safety inspections each year of spent fuel dry cask vendors, fabricators, and designers, and at ISFSIs.

Resources are provided for five high-priority rulemakings and five medium-priority rulemakings. Resources also support research to develop a technical basis for the allowance of full (fission product and actinides) burn-up credit for spent fuel transportation and storage casks, and research to develop human reliability analysis capability for investigating human performance issues related to spent fuel handling.

Resources decrease primarily in Research to reflect a shift in resources from the Spent Fuel Storage and Transportation Business Line to support high-priority emergent research work under the Nuclear Materials Users Business Line.

Resources will support Interaction with the International Atomic Energy Agency (IAEA) and other international regulators to inform the development of the regulatory framework for long-term spent fuel and high-level waste storage, deferred transportation, and ultimate geologic disposal.

The NRC has organized Spent Fuel Storage and Transportation into product lines that best support safety and security strategies and impact strategic outcomes as they relate to spent fuel storage and the transportation of radioactive materials. The resources requested support all direct aspects of Spent Fuel Storage and Transportation within the following five Product Lines: Licensing, Oversight, Rulemaking, International Activities, and Research. The outputs of these product lines contribute to the scoring of the NRC safety and security performance measures and their contribution to achievement of strategic outcomes.

LICENSING

Strategic Goal Strategies Supported

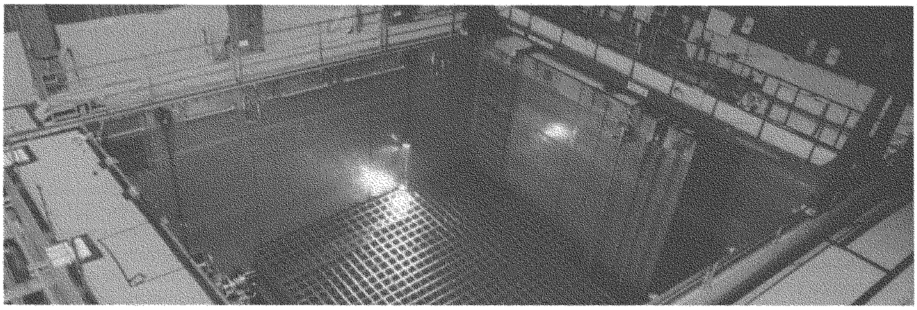
Safety – Develop, maintain, and implement licensing and regulatory programs for fuel facilities, materials, spent fuel management, waste management, uranium recovery, and decommissioning activities.

Security – Use a risk-informed approach to implement appropriate regulatory controls for the possession, handling, import, export, and transshipment of radioactive materials.

Workload

For FY 2011, the NRC requests $10.4 million, including 52.5 FTE, to provide for Licensing activities. This represents a decrease of $4.5 million, including 2.3 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Licensing Product Line supports the confirmation of requests to approve, renew, change, or modify license requests for ISFSIs; certification of dry spent fuel storage



Spent fuel pool

casks and transportation packages for radioactive materials; and the provision of adequate levels of protection for public health and safety and security. Licensing resources support the review of approximately 80 transportation package design applications and approximately 25 spent fuel storage cask designs and spent fuel storage facilities to meet industry needs, and the continuation of public outreach activities to demonstrate the effectiveness of the NRC's radioactive material transportation and spent fuel storage regulatory oversight. Resources also support the continuation of efforts to risk-inform storage and transportation standard review plans and to incorporate interim staff guidance into those plans in order to make licensing reviews more efficient and to provide awareness to licensees and applicants of regulatory requirements for license applications.

Licensing resources will also provide support for security activities associated with radioactive materials in quantities of concern, spent nuclear fuel route and immobilization device approvals, SNM transportation security plan approvals, and ISFSI security plan reviews, specifically ISFSI security orders; licensing reviews for ISFSIs at power reactors; spent fuel storage licensing reviews and hearings support; and decommissioning security reviews and exemption requests.

Changes from FY 2010 Enacted

Resources decrease to reflect the transfer of resources to the Integrated Spent Fuel Management Business Line to better align workload priorities.

OVERSIGHT

Strategic Goal Strategies Supported

Safety – Oversee licensee safety performance through inspections, investigations, enforcement, and performance assessment activities.

Security – Use a risk-informed approach to implement appropriate regulatory controls for the possession, handling, import, export, and transshipment of radioactive materials.

Workload

For FY 2011, the NRC requests $2.8 million, including 17.4 FTE, to provide for Oversight activities. This represents a decrease of $0.1 million, including 0.8 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Oversight Product Line supports the NRC activities to continuously oversee safe and secure spent fuel storage, storage cask design, and transportation packaging to better identify significant issues and to ensure that licensees continue to maintain acceptable safety and security. In FY 2011, resources provide for headquarters and regional staff efforts for preoperational inspections and regional oversight of ISFSI operations; inspections of cask vendors, designers, and fabricators; inspections of ISFSIs; and enforcement allegations and transportation activities.

Changes from FY 2010 Enacted

Workload and resources remain level.

RULEMAKING

Strategic Goal Strategies Supported

Safety - Use sound science and state-of-the-art methods to establish, where appropriate, risk-informed and performance-based regulations.

Security – Use a risk-informed approach to implement appropriate regulatory controls for the possession, handling, import, export, transshipment of radioactive materials.

Workload

For FY 2011, the NRC requests $3.2 million, including 19.4 FTE, to provide for Rulemaking activities. This represents a decrease of $1.9 million, although 13.9 FTE increase, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Rulemaking Product Line supports the NRC's goal to maintain a safety and security framework of rules, regulatory guidance, and standard review plans that promote licensee compliance with underlying safety principles and security requirements. In FY 2011, the budget request for Rulemaking provides resources to support five high-priority and five medium-priority rulemaking efforts related to radioactive material transportation and spent fuel storage during FY 2009–2011, including enhanced security at ISFSIs; standards for waste storage (concurrent with rulemaking); enhanced security during transport of special nuclear material and spent nuclear fuel, including regulatory guide development; and development of adversary characteristics for use in regulatory guides. In addition, resources support the biennial update of NUREG-0725, "Public Information Circular for Shipments of Irradiated Reactor Fuel," and its issuance in FY 2011. Resources also provide technical support for the development of the technical basis of other high- and medium-priority rulemakings and support for the resolution of petitions under 10 CFR 2.206, "Request for Action under this Subpart."

The resources support development of the technical basis to support rulemaking efforts for extended, long term dry spent fuel and high-level waste storage for periods of 100 years or longer. Rulemaking maintains the NRC's safety and security framework of rules, regulatory guidance, and standard review plans that promote license compliance with underlying safety principles and security requirements.

Sandia Cask Transport Test

Changes from FY 2010 Enacted

Resources decrease slightly, but the FTEs increase to accommodate rulemaking activities in coordination with efforts in the Integrated Spent Fuel Management Business Line.

INTERNATIONAL ACTIVITIES

Strategic Goal Strategies Supported

Safety – Use domestic and international collaboration and cooperation to inform decision-making.

Security – Use a risk-informed approach to implement appropriate regulatory controls for the possession, handling, import, export, and transshipment of radioactive materials.

Workload

For FY 2011, the NRC requests $0.9 million, including 4.1 FTE, to provide for International Activities. This represents a slight funding increase, including 2.4 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The International Activities Product Line supports the NRC's work with international counterparts to exchange information, expertise, operating experiences, and ongoing research to recognize and respond to emerging technical issues and promote best safety and security practices. The NRC participates in the development of international standards to ensure they are soundly based and to determine whether substantial safety improvements can be identified and incorporated domestically. Resources in FY 2011 will support international coordination with IAEA on the storage and transportation of nuclear materials and waste, and oversight of international transportation security for spent fuel.

Additionally, the International Activities Product Line supports interactions with the IAEA and other international regulators to inform the development of long-term spent fuel and high-level waste storage and deferred transportation, and ultimate disposal. Through International Activities, the

NRC works with international counterparts to exchange information, expertise, operating experiences, and ongoing research to recognize and respond to emerging technical issues to promote best safety and security practices.

Changes from FY 2010 Enacted

The workload and resources for this product line are increasing due to an increasing need to participate with international partners in the development of the technical basis for rulemaking and licensing for the various new options other countries have implemented or are in the process of implementing to handle HLW storage and ultimate disposal.

RESEARCH

Strategic Goal Strategies Supported

Safety – Improve the NRC's regulatory programs and apply safety-focused research to anticipate and resolve safety issues.

Security – Use research to inform the security activities of the agency.

Workload

For FY 2011, the NRC requests $0.9 million, including 1.3 FTE, to provide for Research activities. This represents a funding decrease of $0.4 million, including 1.3 FTE, when compared to estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The NRC supports research to identify, lead, or sponsor reviews that support the resolution of ongoing and future safety issues, including providing tools and expertise needed to support the NRC's independent decision-making process. In FY 2011, resources provide for research to obtain and analyze data related to the approval of credit for spent fuel burn-up for spent fuel transportation casks in support of a revision to interim staff licensing guidance. Research will also evaluate storage and transportation of high burn-up fuels and evaluate risk of criticality associated with the transportation of spent nuclear fuel. As a result, resources will support the development of a technical basis to support the allowance of full (fission product and actinides) burn-up credit for spent fuel transportation and storage casks. Resources will also support research to develop human reliability analysis capability for investigating human performance issues related to spent fuel handling.

In addition, resources support the development of the regulatory framework for extended long-term storage and deferred transportation of spent nuclear fuel and high-level waste, and ultimate geologic disposal of waste. The technical basis for addressing the long-term storage and deferred transportation regulatory gaps, identified in FY 2010, will be developed. These activities could include addressing issues such as aging management, higher burn-up fuels, and long-term cask demonstration. These activities are being closely coordinated with efforts in the Integrated Spent Fuel Management Business Line.

Changes from FY 2010 Enacted

Resources are decreasing slightly in this product line to support high-priority emergent research work in the Nuclear Materials Users Business Line.

SIGNIFICANT ACCOMPLISHMENTS

The NRC completed 16 inspections and reviews of 60 transportation package design approval requests in FY 2009. The NRC also reviewed of 16 spent fuel storage cask and three spent fuel storage facility license requests from applicants and licensees to support safe and secure domestic and international transportation, industry needs for full-core offload capability at operating reactor sites, and transfer of spent fuel to ISFSIs to facilitate reactor decommissioning.

The NRC issued a regulatory issue summary and associated Federal Register notice in late FY 2008 to address requests for the limited continued use of casks whose Certificate of Compliance was to expire on October 1, 2008, the implementation date of the 1996 IAEA transport regulations. This helped to ensure public health and safety by creating a mechanism for the continued shipment of radiopharmaceuticals using the existing radioactive material transportation packages for a limited number of shipments, each with a fixed expiration date. The NRC received 15 applications from vendors and shippers and approved them by March 2009.

A tri-party working group of staff from the U.S. Department of Transportation, the NRC and the Canadian Nuclear Safety Commission prepared the "Joint Canada-United States Guide for Approval of Type B (U) and Fissile Material Transportation Packages" (Joint Guide). The Joint Guide provided the framework to enhance U.S. and Canadian validation of Competent Authority Type B (U) and fissile materials transportation package approvals for export and import. In June 2008, the Joint Guide was published for public comment in both the United States, as NUREG-1886, and in Canada, as RD-364. The final document was published in March 2009, in both the United States and Canada.

OUTPUT MEASURES

LICENSING

Complete storage container and installation design reviews within timeliness goals.

	FY 2006	FY 2007	FY 2008*	FY 2009	FY 2010	FY 2011
Target:	80% ≤ 13.3 mos. 100% ≤ 2 yrs.	80% ≤ 12.6 mos. 100% ≤ 2 yrs.	80% ≤ 12.6 mos. 100% ≤ 2 yrs.	80% ≤ 12.6 mos. 100% ≤ 2 yrs.	80% ≤ 12.6 mos. 100% ≤ 2 yrs.	80% ≤ 12.6 mos. 100% ≤ 2 yrs.
Actual:	85% ≤ 13.3 mos. 100% ≤ 2 yrs.	100% ≤ 12.6 mos. 100% ≤ 2 yrs.	90% ≤ 12.6 mos. 100% ≤ 2 yrs.	82% ≤ 12.6 mos. 100% ≤ 2 yrs.		

**Output targets for FY 2008 and beyond are being held at the FY 2007 metric to reflect the changing profile of the casework, based on the increased technical complexity and applicants "bundling" of multiple requests in a single application, and updated labor rates for the current mix of casework. The labor rates were updated based on historical expenditures during FY 2006 and FY 2007.*

Complete transportation container design reviews within timeliness goals.

	FY 2006	FY 2007	FY 2008*	FY 2009	FY 2010	FY 2011
Target:	80% ≤ 7.7 mos. 100% ≤ 2 yrs.	80% ≤ 7.4 mos. 100% ≤ 2 yrs.	80% ≤ 7.4 mos. 100% ≤ 2 yrs.	80% ≤ 7.4 mos. 100% ≤ 2 yrs.	80% ≤ 7.4 mos. 100% ≤ 2 yrs.	80% ≤ 7.4 mos. 100% ≤ 2 yrs.
Actual:	96% ≤ 7.7 mos. 100% ≤ 2 yrs.	92% ≤ 7.4 mos. 100% ≤ 2 yrs.	86% ≤ 7.4 mos. 100% ≤ 2 yrs.	86% ≤ 7.4 mos. 100% ≤ 2 yrs.		

**Output targets for FY 2008 and beyond are being held at the FY 2007 metric to reflect the changing profile of the casework, based on the increased technical complexity and applicants "bundling" of multiple requests in a single application, and updated labor rates for the current mix of casework. The labor rates were updated based on historical expenditures during FY 2006 and FY 2007.*

OVERSIGHT

Number of spent fuel storage and transportation inspections completed.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	16 inspections	16 inspections	16 inspections	16 inspections	16 inspections	16 inspections
Actual:	16 inspections	16 inspections	16 inspections	17 inspections		

RESEARCH

Timeliness of completing actions on critical research programs*.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	85% of major milestones met on or before their due date.	85% of major milestones met on or before their due date.	90% of major milestones met on or before their due date.	90% of major milestones met on or before their due date.	90% of major milestones met on or before their due date.	90% of major milestones met on or before their due date.
Actual:	96% across programs.	100% across programs.	100% across programs.	100% across programs.		

**Definition: Critical research programs typically respond to high priority needs from the Commission and NRC's licensing organizations. Critical research programs regarding the highest priority needs identified at the beginning of the fiscal year.*

Acceptable* technical quality of agency research technical products

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	New measure in FY 2007	Combined score ≥ 3.0	Combined score ≥ 3.0	Combined score ≥ 3.5	Combined score ≥ 3.5	Combined score ≥ 3.5
Actual:		4	4	4		

**NRC has developed a process to measure the quality of research products that includes surveying end-users to determine usability and value-added of the product and feedback from the Advisory Committee on Reactor Safeguards on research programs and products. As appropriate, other mechanisms will be developed and added to this process to measure the quality of research products.*

Decommissioning and Low-Level Waste
(Dollars in Millions)

Product Line	FY 2009 Enacted		FY 2010 Enacted		FY 2011			
					Request		Changes from FY 2010	
	$M	FTE	$M	FTE	$M	FTE	$M	FTE
Licensing	17.1	78.5	16.9	78.7	16.7	76.9	(0.2)	(1.8)
Oversight	4.3	23.5	4.5	23.9	3.6	21.5	(0.9)	(2.4)
Rulemaking	0.0	0.0	0.6	3.6	0.8	5.0	0.2	1.4
International Activities	0.6	3.9	0.6	3.5	0.7	4.2	0.1	0.7
Research	2.4	7.8	1.3	7.8	1.4	7.9	0.1	0.1
Subtotal	**$24.4**	**113.7**	**$23.9**	**117.5**	**$23.2**	**115.5**	**($0.7)**	**(2.0)**
Corporate Support	13.5	30.0	13.9	30.6	13.2	29.2	(0.7)	(1.4)
Total	**$37.9**	**143.7**	**$37.8**	**148.2**	**$36.4**	**144.7**	**($1.4)**	**(3.5)**

Numbers may not add due to rounding.

FY 2009 and FY 2010 enacted resources are respectively being executed according to the requirements in the FY 2009 and FY 2010 Appropriation Acts and as outlined in the FY 2009 and FY 2010 Congressional Budget Justifications. FY 2009 and FY 2010 resources are mapped in this table to the FY 2011 budget structure only for comparison.

DECOMMISSIONING AND LOW-LEVEL WASTE

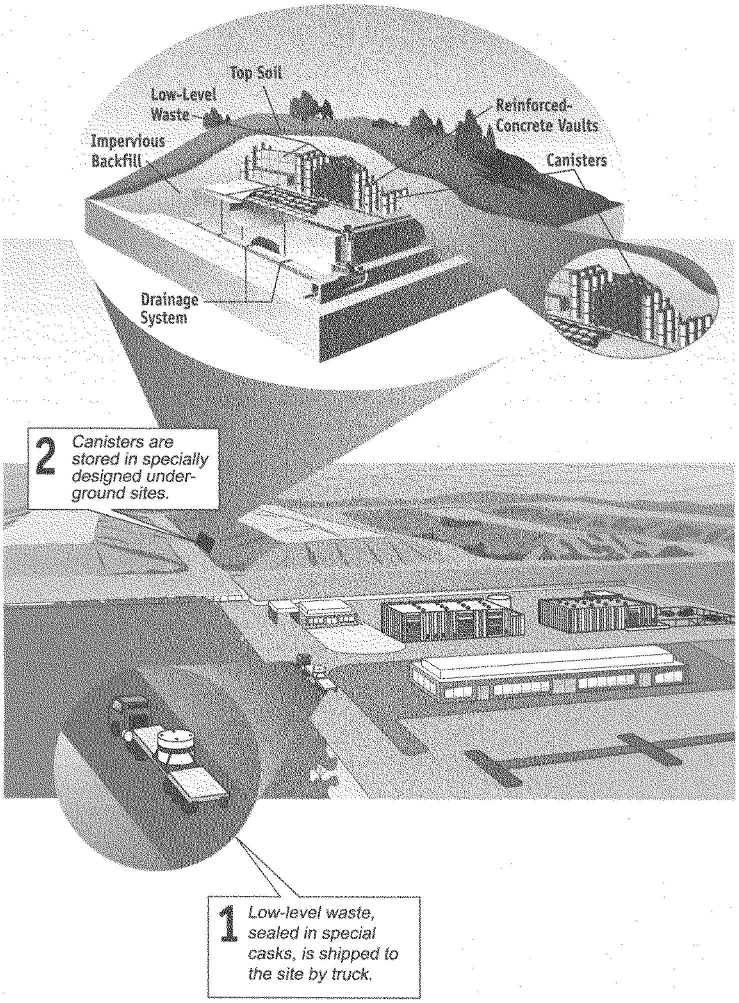
Decommissioning is the safe removal of a nuclear facility from service and reduction of residual radioactivity to a level that permits release of the property and termination of the NRC license. The NRC rules for decommissioning establish site release criteria and provide for unrestricted and, under certain conditions, restricted release of a site. The NRC regulates the decontamination and decommissioning of uranium recovery facilities, materials and fuel cycle facilities, nuclear power plants, RTRs, and uranium recovery facilities, with the ultimate goal of license termination. The NRC ensures safety and security in the disposition of radioactive waste. Certain nuclear waste is categorized as LLW, which include items that have become contaminated with radioactive material or that have become radioactive through exposure. The NRC regulates the management and disposition of LLW (see Figure 18). The NRC or Agreement States license, oversee, and regulate commercial LLW disposal facilities.

The Decommissioning and LLW Product Line provides project management; technical, safety, and environmental reviews for uranium recovery facilities, and decommissioning of power reactors, RTRs, complex materials sites, and inactive uranium recovery facilities undergoing decommissioning. It supports interfaces with licensees, applicants, Federal and State agencies, the public, other stakeholders, and Native American Tribal governments. Resources support five environmental and eight safety reviews, including hearings for uranium recovery facility applications, as well as the management of approximately 13 decommissioning power reactors, 10 decommissioning RTRs, 21 decommissioning materials sites, and 18 decommissioning uranium recovery facilities.

Low-Level Waste are items that have become contaminated with radioactive material or have become radioactive through exposure.

Resources provide for oversight of certain DOE waste determination activities and plans consistent with the NRC's responsibilities under the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005. This act requires DOE to consult with the NRC on its waste incidental to reprocessing (WIR) determinations for facilities in South Carolina and Idaho and requires NRC monitoring at those sites.

Figure 18 - Low-Level Waste Disposal Site


Top Soil
Low-Level Waste
Impervious Backfill
Reinforced-Concrete Vaults
Canisters
Drainage System
2 Canisters are stored in specially designed underground sites.
1 Low-level waste, sealed in special casks, is shipped to the site by truck.

Resources also support the regulation and oversight of LLW activities, including interactions with and technical assistance to DOE and the States on important LLW regulatory issues. In addition, resources support guidance development and import/export reviews.

Research activities will provide data and process models for technical analysis to assess public exposure to environmental releases of radioactive materials and the technical basis for rulemakings associated with radiological environmental contamination. These resources also provide issue-specific assistance for emerging scientific issues in complex decommissioning reviews.

The NRC has organized Decommissioning and LLW activities into product lines that best support safety and security strategies and impact strategic outcomes as they relate to decommissioning and low-level waste licensing, inspection, and related environmental activities. The resources requested support all direct aspects of the Decommissioning and LLW Business Line within the following five Product Lines: Licensing, Oversight, Rulemaking, International Activities, and Research. The outputs of these product lines contribute to the scoring of the NRC safety and security performance measures and their contribution to achievement of strategic outcomes.

LICENSING

Strategic Goal Strategies Supported

Safety – Develop, maintain, and implement licensing and regulatory programs for fuel facilities material, spent fuel management, waste management, uranium recovery, and decommissioning.

Security – Review security plans and changes for consistency with security requirements.

Workload

For FY 2011, the NRC requests $16.7 million, including 76.9 FTE, to provide for Licensing activities. This represents a decrease of $0.2 million, including 1.8 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Licensing Product Line supports activities that confirm requests to terminate a license through a decommissioning process and the licensing of LLW disposal sites (or the support of Agreement State licensing) to provide an adequate margin of safety and security consistent with the NRC rules and regulations. Licensing supports project management; technical, safety, and environmental reviews; and other licensing activities facilitating the licensing of uranium recovery facilities, and the decommissioning of power reactors, RTRs, complex materials sites, and inactive uranium recovery facilities. Product Line resources support interfaces with NRC licensees, applicants, Federal and State agencies, the public, other stakeholders, Native American Tribal governments, and legal advice and representation.

In FY 2011, resources for decommissioning remain relatively level and will support performing project management and technical reviews for 13 decommissioning power reactors, 10 decommissioning RTRs, 21 decommissioning materials sites, and 18 decommissioning uranium recovery facilities, including license termination plans, decommissioning plans, and license amendments. FY 2011 resources provide support to perform complex environmental reviews for decommissioning cases and for licensing actions.

The agency will perform safety reviews, environmental reviews, and project management for uranium recovery licensing. It will also support interactions with licensees, applicants, Federal and State agencies, the public, other stakeholders, and Native American Tribal governments. Resources will support five environmental and eight safety reviews including hearings of applications in the FY 2011 time frame.

Changes from FY 2010 Enacted

The workload and resources remain essentially flat. A slight FTE decrease for uranium recovery legal support was partially offset by the transfer of resources to this Business Line to provide independent advice.

OVERSIGHT

Strategic Goal Strategies Supported

Safety – Oversee the decontamination and decommissioning of nuclear facilities in license termination.

Security – Review security plans for decommissioning for consistency with security requirements.

Workload

For FY 2011, the NRC requests $3.6 million, including 21.5 FTE, to provide for Oversight activities. This represents a funding decrease of $0.9 million, including 2.4 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Oversight Product Line supports the NRC in continuously overseeing Decommissioning and LLW activities to ensure that licensees continue to maintain acceptable safe and secure practices. In FY 2011, resources provide for decommissioning and uranium recovery inspections, waste determinations at two DOE sites, and support for LLW strategic assessment activities and program casework.

Resources provide for inspections to ensure that decommissioning is being conducted safely and in accordance with NRC regulations. Increased resources are provided to conduct inspections because of anticipated growth in the number of uranium recovery licensees.

Resources are provided to perform monitoring WIR at the Savannah River Site and the Idaho National Laboratory under the 2005 National Defense Authorization Act.

Resources remain relatively level and continue support for LLW program casework and LLW strategic assessment activities, a scoping study on financial assurance for by-product material, and the development of guidance for an alternative waste class (10 CFR 61.58,) "Alternative Requirements for Waste Classification and Characteristics."

Changes from FY 2010 Enacted

Workload and resources are decreasing in this area because the agency oversight of DOE waste determination activities have decreased.

RULEMAKING

Strategic Goal Strategies Supported

Safety – Use sound science and state-of-the-art methods to establish, where appropriate, risk-informed and performance-based regulations.

Security – Use a risk-informed approach to implement appropriate regulatory controls.

Workload

For FY 2011, the NRC requests $0.8 million, including 5.0 FTE, to provide for Rulemaking activities. This represents a funding increase of $0.2 million, including 1.4 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Rulemaking Product Line supports the NRC goal of maintaining a safety and security framework of rules, regulatory guidance, and standard review plans that promote licensee compliance with underlying safety principles and security requirements. In FY 2011, the budget request for the Rulemaking Product Line will provide resources to support the 10 CFR Part 61 rulemaking, including development of technical basis documents, environmental reviews, and other regulatory products for the disposal of large quantities of depleted uranium and technical support for enhanced security at decommissioning power plants.

Changes from FY 2010 Enacted

Workload and resources are slightly increasing because of the increased work required to develop the technical basis for the limited 10 CFR Part 61 depleted uranium rulemaking.

INTERNATIONAL ACTIVITIES

Strategic Goal Strategies Supported

Safety – Use domestic and international operating experience to inform decision-making.

Security – Use a risk-informed approach to implement appropriate regulatory controls for the possession, handling, import, export, and transshipment of radioactive materials.

Workload

For FY 2011, the NRC requests $0.7 million, including 4.2 FTE, to provide for International Activities. This represents a funding increase of $0.1 million, including 0.7 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The International Activities Product Line supports activities with international counterparts to exchange information, expertise, operating experiences, and ongoing research to recognize and respond to emerging technical issues and promote best safety and security practices. The NRC also participates in the development of international standards to ensure they are soundly based and determine whether substantial safety improvements can be identified and incorporated domestically. Resources provide support for international activities and for bilateral assistance to foreign counterparts on decommissioning issues, development of regulations for the handling and disposal of LLW, and decommissioning of nuclear power plants and other facilities. Resources also support participation in IAEA activities, including working groups for the preparation and update of safety guides. In addition, resources provide for staff assistance to the foreign assignee program and for bilateral and multilateral exchanges of technical information.

Changes from FY 2010 Enacted

Workload and resources remain essentially level.

RESEARCH

Strategic Goal Strategies Supported

Safety – Improve the NRC's regulatory programs and apply safety-focused research to anticipate and resolve safety issues.

Security – Use research to inform the security activities of the agency.

Workload

For FY 2011, the NRC requests $1.4 million, including 7.9 FTE, to provide for Research activities. This represents essentially flat funding compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Research Product Line supports activities to identify, lead, or sponsor reviews that support the resolution of ongoing and future safety issues, including providing tools and expertise needed to support the NRC's independent decision-making process. The FY 2011 budget allocates resources for research activities that provide more realistic data, models, and computer tools to support staff assessment of potential exposure to individuals because of environmental releases of radioactive materials for decommissioning activities.

Changes from FY 2010 Enacted

Workload and resources remain essentially level.

SIGNIFICANT ACCOMPLISHMENTS

In FY 2009, the NRC provided project management and technical reviews for decommissioning activities at 13 power and early demonstration reactors, 10 RTRs, 18 inactive uranium recovery facilities, and 21 complex materials sites and fuel cycle facilities, including license termination plans, decommissioning plans, and license amendments. The agency also accepted license applications for two additional uranium recovery facilities and initiated the associated safety and environmental reviews. The NRC issued the final generic environmental impact statement (GEIS) for in situ recovery (ISR) uranium recovery facilities in June 2009.

OUTPUT MEASURES

LICENSING

Support program licensing activities by reviewing environmental reports and preparing environmental review documents.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	Complete 1 final EIS and 1 draft EIS.*	Complete 1 final EIS or draft EIS.* Complete 3 complex EAs.	Complete 2 final EISs or draft EISs.* Complete 3 complex EAs.	Complete 1 final EIS or draft EIS.* Complete 3 complex EAs.	Complete 2 draft EISs.* Complete 2 complex EAs.	Complete environmental reviews consistent with the Environmental Protection and Performance Assessment Operating Plan.
Actual:	Completed 1 final EIS (USEC), completed comments as a cooperating agency on the draft West Valley EIS.	Completed the draft Sequoyah Fuels Corp. EIS and provided comments as a cooperating agency on the preliminary final draft West Valley EIS. Completed 3 EAs (NARM Rulemaking, Westinghouse License Renewal EA and the Rancho Seco EA.)	Completed the Final EIS for Sequoyah Fuels Corp. and the draft Generic EIS for ISR Uranium Recovery facilities. No complex EAs completed because there were none to complete in FY 2008.	Completed GEIS for Uranium Recovery. Three complex EAs were completed for AREVA, GNFA, and Oconee.		

**Within 45 days of acceptance of application and environmental report, publish notice of intent to prepare the EIS and proposed schedule in the Federal Register.*

Clean up complex material sites, fuel cycle sites, power reactors, and research/test reactors; and complete uranium recovery license reviews.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	Complete final guidance to address issues identified in the license termination rule analysis and provides risk-informed approaches for restricted-use, more realistic scenarios, and preventing legacy sites. Complete high-priority licensing actions as scheduled in the Decommissioning Operating Plan.	Complete licensing actions as scheduled in the Decommissioning Operating Plan. Conduct PART for the Decommissioning and Low-Level Waste program. Complete proposed rule to prevent legacy sites.	Complete decommissioning and uranium recovery licensing actions as scheduled in the Decommissioning Operating Plan. Complete final rule to prevent legacy sites.	Complete decommissioning and uranium recovery licensing actions as scheduled in the Decommissioning Operating Plan.	Complete licensing actions consistent with the Decommissioning Operating Plan.	Complete licensing actions consistent with the Decommissioning Operating Plan.
Actual:	Completed revision to NUREG-1757 Volumes 1 and 2 to incorporate decommissioning lessons-learned and issues identified in the license termination rule analysis and included risk-informed approach for restricted use, more realistic scenarios, and guidance for preventing future legacy sites. Completed decommissioning at 7 sites.	Completed proposed rule to prevent future legacy sites. Conducted PART for the DLLW program; program rated "effective" by OMB. Completed decommissioning at 11 sites.	Completed decommissioning at 8 sites. Completed two uranium recovery licensing actions.	Completed decommissioning at 1 site. Completed final rule for preventing future legacy sites currently under review by the Commission.		

Provide support to DOE for Waste Incidental to Reprocessing (WIR) activities.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	Complete 2 WIR reviews.	Complete 2 WIR monitoring plans. Complete the draft Final WIR Standard Review Plan (SRP). Complete resolution of 2 WIR generic technical and policy issues identified in FY 2006.	Complete monitoring activities as scheduled in the Environmental Protection and Performance Assessment Operating Plan. Complete resolution of 2 WIR generic technical and policy issues identified in FY 2006.	Complete WIR review or monitoring plan/ activities as scheduled in the Environmental Protection and Performance Assessment Operating Plan.	Complete WIR review or monitoring plan/ activities as scheduled in the Environmental Protection and Performance Assessment Operating Plan.	Complete WIR review and monitoring plan activities as scheduled in the Environmental Protection and Performance Assessment Operating Plan.
Actual:	Met Target.*	Completed 2 WIR monitoring plans (INL and SRS) Issued the Draft Final WIR SRP (NUREG-1854) Completed resolution of 2 WIR generic technical and policy issues.	Completed 4 WIR Monitoring visits and issued 4 WIR Monitoring Reports. Completed resolution of 7 WIR generic technical and policy issues identified in FY 2006.	Completed 3 WIR Monitoring Visits and reviewed 11 Technical Reports related to Saltstone.		

**Completed technical review for Saltstone Disposal Facility Waste Determination in November 2005 and issued the Technical Evaluation report in December 2005, and completed technical review of the Idaho National Laboratory Tank Farm Facility Determination in September 2006 and issued the Technical Evaluation Report in October 2006.*

Eliminate the need for some site specific environmental impact statements (i.e. by reducing resource needs) by developing a Generic Environmental Impact Statement (GEIS) for uranium recovery environmental reviews.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	New measure in FY 2009			Projected savings of $1,040K and 1 FTE	Projected Savings of $1,100K and 4 FTE	Projected savings of $450K and 0.7 FTE
Actual:				Actual savings of $2.2 million and 0.6 FTE in FY 2009.		

Between FY 2008 and FY 2012, the staff expects to receive 21 in-situ recovery (ISR) uranium recovery license applications. The development of a Generic Environmental Impact Statement (GEIS) is expected to eliminate the need to develop site-specific environmental impact statements (EISs) for some of these applications. Rather than developing a site-specific EIS for each site the staff will be able to "tier off" the GEIS and instead rely on a less resource intensive environmental assessment (EA) or a site specific supplemental EIS to evaluate the environmental impacts of the site-specific ISR license request (total savings of at least $2.0M and 7.0 FTE in FY 2008–FY 2011 and beyond) the final GEIS was issued in June 2009 on schedule.

High-Level Waste Repository
(Dollars in Millions)

					FY 2011			
	FY 2009 Enacted		FY 2010 Enacted		Request		Changes from FY 2010	
Product Line	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**
Licensing	37.0	82.1	23.0	83.6	10.0	32.0	(13.0)	(51.6)
Oversight	1.3	4.2	0.7	3.9	0.0	0.0	(0.7)	(3.9)
Rulemaking	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Research	0.3	1.7	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal	**$38.6**	**88.0**	**$23.7**	**87.5**	**10.0**	**32.0**	**($13.7)**	**(55.5)**
Corporate Support	10.6	23.6	5.2	10.9	0.0	0.0	(5.2)	(10.9)
Total	**$49.2**	**111.6**	**$29.0**	**99.0**	**$10.0**	**32.0**	**($19.0)**	**(67.0)**

Numbers may not add due to rounding.

FY 2009 and FY 2010 enacted resources are respectively being executed according to the requirements in the FY 2009 and FY 2010 Appropriation Acts and as outlined in the FY 2009 and FY 2010 Congressional Budget Justifications. FY 2009 and FY 2010 resources are mapped in this table to the FY 2011 budget structure only for comparison.

HIGH-LEVEL WASTE REPOSITORY

The High-Level Waste Repository program is responsible for licensing activities related to the Yucca Mountain geologic repository. This program supports achievement of the NRC's strategic goal of safety and security through its regulatory activities associated with the licensing review of the DOE application for the permanent disposal of spent fuel at Yucca Mountain, Nevada. To conduct the license application review, the program implemented two concurrent processes: assess the technical merits of the repository design, and support the adjudicatory hearing before the NRC Atomic Safety and Licensing Boards convened to hear the technical and legal challenges posed by a number of parties to the DOE application.

The Administration has indicated that it does not support developing a repository at Yucca Mountain, Nevada. Consistent with that position, DOE may submit to the NRC a motion to withdraw or suspend its Yucca Mountain license application during FY 2010. The NRC Budget reflects that possibility. Upon the withdrawal or suspension of the licensing review, the NRC would begin an orderly closure of the technical review and adjudicatory activities and would document the work and insights gained from the review.

Resources for the High-Level Waste Repository business Line will support hearing-related activities.

The NRC has organized HLW Repository activities into product lines that best support safety and security strategies and impact strategic outcomes as they relate to HLW. The resources requested support all direct aspects of HLW Repository within the Licensing Product Line. This product line contributes to progress on the NRC safety and security performance measures and their contribution to achievement of the strategic outcomes.

LICENSING

Strategic Goal Strategies Supported

Safety – Develop, maintain, and implement licensing and regulatory programs for fuel facilities material, spent fuel management, waste management, uranium recovery, and decommissioning.

Workload

For FY 2011, the NRC requests $10.0 million, including 32.0 FTE, to provide for Licensing activities. This represents a funding decrease of $13.7 million, including 55.5 FTE, when compared with estimated FY 2010 funding levels. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

Resources will support work related to the orderly closure of the agency's Yucca Mountain licensing support activities. This would involve archiving material, completion of some technical work, knowledge capture and management, and maintenance of certain electronic systems to support these efforts. Resources will also support closing the adjudicatory aspects upon actual notice from the Congress or DOE.

Changes from FY 2010 Enacted

Resources decrease to reflect the orderly closure of the agency's Yucca Mountain licensing support activities.

OVERSIGHT

Workload

None.

Changes from FY 2010 Enacted

Resources were reduced to zero.-

RULEMAKING

Workload

None.

Changes from FY 2010 Enacted

Resources were reduced to zero.

RESEARCH

Workload

None.

Changes from FY 2010 Enacted

Resources were reduced to zero.

SIGNIFICANT ACCOMPLISHMENTS

In FY 2009, the NRC published a notice of hearing and leave to intervene in October 2008. Petitions for leave to intervene and contentions were filed. In May 2009, almost 300 contentions were admitted, and only three were rejected when the Commission ruled on the appeals in June 2009. Hearing activities are continuing. In March 2009, the NRC amended its regulations in 10 CFR Part 63, "Disposal of High-Level Radioactive Wastes in a Geologic Repository at Yucca Mountain, Nevada," to conform to a new EPA standard for the proposed repository.

Integrated Spent Fuel Management
(Dollars in Millions)

Product Line	FY 2009 Enacted		FY 2010 Enacted		FY 2011 Request		FY 2011 Changes from FY 2010	
	$M	FTE	$M	FTE	$M	FTE	$M	FTE
Licensing	0.0	0.0	0.0	0.0	5.0	16.8	5.0	16.8
Research	0.0	0.0	0.0	0.0	7.9	22.5	7.9	22.5
Subtotal	**$0.0**	**0.0**	**$0.0**	**0.0**	**$12.9**	**39.3**	**$12.9**	**39.3**
Corporate Support	0.0	0.0	0.0	0.0	4.9	10.9	4.9	10.9
Total	**$0.0**	**0.0**	**$0.0**	**0.0**	**$17.7**	**50.2**	**$17.7**	**50.2**

Numbers may not add due to rounding.

FY 2009 and FY 2010 enacted resources are respectively being executed according to the requirements in the FY 2009 and FY 2010 Appropriation Acts and as outlined in the FY 2009 and FY 2010 Congressional Budget Justifications. FY 2009 and FY 2010 resources are mapped in this table to the FY 2011 budget structure only for comparison.

INTEGRATED SPENT FUEL MANAGEMENT

Integrated Spent Fuel Management is a new business line in FY 2011. This business line was created to develop regulatory tools, analyses, and data needed to evaluate and support future waste management strategies.

The Integrated Spent Fuel Management Business Line will develop the information necessary to inform the agency's regulatory perspectives on waste management options, undertake research, analysis, and modeling efforts to support regulatory development for potential future high-level waste disposal systems, and serve as the agency's point for coordinating and integrating key interdependent work on disposal, extended long-term storage, and other waste management strategies.

The NRC has organized Integrated Spent Fuel Management activities into product lines that best support safety and security strategies and impact strategic outcomes as they relate to alternate waste management. The resources requested support all direct aspects of Integrated Spent Fuel Management within the following two Product Lines: Licensing and Research. These activities are designed to ensure that high-level waste management is done in a manner that adequately protects the public health and safety, protects the environment, and provides high assurance of protection against radiological sabotage, theft or diversion of Spent Nuclear Material. These activities are being closely coordinated with efforts in the New Fuel Facilities and Spent Fuel Storage and Transportation business lines.

The Integrated Spent Fuel Management Program encompasses the NRC's effort to address ongoing revisions to the National strategy for managing spent nuclear fuel.

LICENSING

Strategic Goal Strategies Supported

Safety – Develop, maintain, and implement licensing and regulatory programs for fuel facilities material, spent fuel management, waste management, uranium recovery, and decommissioning.

Security – Use a risk-informed approach to implement appropriate regulatory controls for the possession, handling, import, export, and transshipment of radioactive materials.

Workload

For FY 2011, the NRC requests $5.0 million, including 16.8 FTE, to provide for Licensing activities. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Licensing Product Line supports preparatory activities for the generic long-term future of waste management that will ensure the adequate protection of public health and safety and the environment. The Licensing Product line focuses on the review, investigation, and development of an appropriate licensing regulatory framework that will accommodate alternative geologic disposal or other spent fuel disposition options. Activities will include regulatory reviews and development activities to increase the flexibility and utility of regulations and alternative licensing approaches. No specific licensing actions are planned for FY 2011.

Changes from FY 2010 Enacted

Workload and resources are increasing in this product line to support the agency's regulatory perspectives on waste policy options and preparatory efforts for generic long-term future of waste management. In FY 2010, resources for related activities will be executed in the Spent Fuel Storage and Transportation Business Line. In FY 2011, resources are requested in the Integrated Spent Fuel Management Business Line to better align workload priorities.

RESEARCH

Strategic Goal Strategies Supported

Safety – Improve the NRC's regulatory programs and apply safety-focused research to anticipate and resolve safety issues.

Security – Use research to inform the security activities of the agency.

Workload

For FY 2011, the NRC requests $7.9 million, including 22.5 FTE, to provide for Research Product Line. FY 2010 resources are being executed according to the requirements in the FY 2010 Appropriation Act and as outlined in the FY 2010 Congressional Budget Justification. In this discussion, the FY 2010 resources are mapped to the FY 2011 budget structure only for comparison.

The Research Product Line focuses on the analyses, data collection, and modeling needed to support future waste management strategies. Activities include development of an understanding of key technical issues and risk insights related to alternative geological media, waste disposal systems, different repository concepts (e.g., cold repositories below the water table), and the behavior of alternative waste forms (e.g., higher burn-up fuel and reprocessed waste). Targeted laboratory studies and field investigations will be conducted to support the refinement of risk insights and understanding of key technical issues. Development of a flexible performance assessment models and other tools for addressing disposal in alternative geological media, with different barrier and waste forms will also be performed.

Through research, the NRC identifies, leads, and/or sponsors reviews that support the resolution of ongoing and future safety issues, including providing tools and expertise needed to support the NRC's independent decision-making process.

Changes from FY 2010 Enacted

The workload and resources for this product line are increasing to support the development of a technical basis for rulemaking and licensing for the various options under consideration, and to prepare the agency to provide input, as requested, into discussions on waste management strategies including disposal of HLW. Additional research will be conducted to develop the technical basis to support extended dry storage of spent fuel. In FY 2010, resources for related activities will be executed in the Spent Fuel Storage and Transportation Business Line. In FY 2011, resources are requested in the Integrated Spent Fuel Management Business Line to better align workload priorities.

OUTPUT MEASURES

Output measures for this business line are being developed for the FY 2012 budget cycle.

Performance Measures

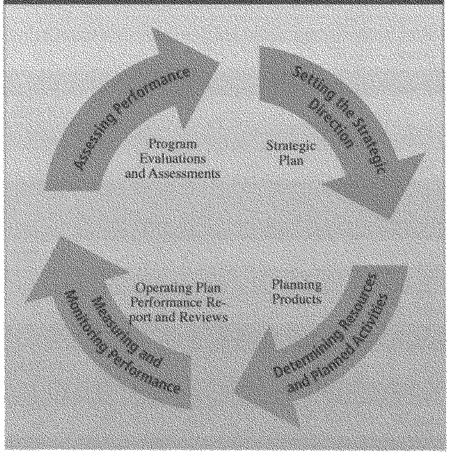
The NRC's Strategic Plan for FYs 2008-2013 describes the agency's mission and establishes the Commission's direction by defining its goals, strategic outcomes, and strategies and means. The revised plan changes the goal structure to ensure a focus on outcomes. The FY 2011 Performance Budget uses the Strategic Plan structure to align resources and to show a clear linkage between programs and the agency's goals.

Measuring and monitoring performance is one of the four components of the NRC's Planning, Budgeting, and Performance Management (PBPM) process. The other components are: Setting the Strategic Direction, Determining Resources and Planned Activities, Measuring and Monitoring Performance, and Assessing Performance (see Figure 19).

The components of the PBPM process are closely linked and complementary, reflecting a continuous cycle of performance management centered on outcomes. This document integrates the agency's PBPM functions by aligning resources with the agency's goals and establishing performance measures to enable periodic measurement and monitoring of program execution. Annual performance assessments are used to analyze performance and seek improvements in effectiveness and efficiency.

The table shows the alignment of the NRC's fully costed Nuclear Reactor Safety Program and the Nuclear Materials and Waste Safety Program with the NRC's safety and security goals.

Figure 19 - Managing to Outcomes


Assessing Performance
Setting the Strategic Direction
Program Evaluations and Assessments
Strategic Plan
Operating Plan Performance Report and Reviews
Planning Products
Measuring and Monitoring Performance
Determining Resources and Planned Activities

ALIGNMENT OF RESOURCES TO NRC GOALS
(Dollars in Millions)
(Excludes OIG)

	FY 2010 Enacted			FY 2011 Request		
	Safety	Security	Total	Safety	Security	Total
Major Programs						
Nuclear Reactor Safety	761.5	34.6	796.1	769.7	34.4	804.1
Nuclear Materials and Waste Safety	239.3	25.6	264.9	210.5	28.9	239.4
Total	**1,00.8**	**60.2**	**1,061.0**	**980.2**	**63.3**	**1,043.5**

Numbers may not add due to rounding.

SAFETY MEASURES

1. NRR - Number of new conditions evaluated as red by the NRC's reactor oversight process.[1]

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	<3	<3	<3	<3	<3	<3
Actual:	0	0	0	0		

2. RES - Number of significant accident sequence precursors (ASPs) of a nuclear reactor accident.[2]

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	< 1	< 0	< 0	< 0	< 0	< 0
Actual:	0	0	0	0		

3. NRR - Number of operating reactors whose integrated performance entered the Manual Chapter 0350 process, the multiple/repetitive degraded or unacceptable cornerstone of the Reactor Oversight Program (ROP) Action Matrix with no performance exceeding Abnormal Occurrence Criteria. (NRR).[3]

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	< 4	< 4	< 3	< 3	< 3	< 3
Actual:	0	1	0	0		

4. NRR - Number of significant adverse trends in industry safety performance.[4]

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	< 1	< 1	< 1	< 1	< 1	< 1
Actual:	0	0	0	0		

5. Number of events with radiation exposures to the public or occupational workers that exceed Abnormal Occurrence Criterion I.A.[5]

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Reactor Target:	0	0	0	0	0	0
Actual:	0	0	0	0		
Material Target:	≤ 6	≤ 3	≤ 2	≤ 2	≤ 2	≤ 2
Actual:	0	0	0	0		
Waste Target:	0	0	0	0	0	0
Actual:	0	0	0	0		

6. Number of radiological releases to the environment that exceed applicable regulatory limits.[6]

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Reactor Target:[7]	< 3	< 3	0	0	0	0
Actual:	0	0	0	0		
Material Target:	< 5	< 2	< 2	< 2	< 2	< 2
Actual:	0	0	0	0		
Waste Target:	0	0	0	0	0	0
Actual:	0	0	0	0		

SECURITY MEASURES

1. NSIR - Unrecovered losses of risk-significant[8] radioactive sources.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	0	0	0	0	0	0
Actual:	0	0	0	0		

2. NSIR - Number of substantiated[9] cases of actual theft or diversion of licensed, risk-significant radioactive sources or formula quantities[10] of special nuclear material; or attacks that result in radiological sabotage.[11]

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	New Measure in FY 2007[12]	0	0	0	0	0
Actual:		0	0	0		

3. NSIR - Number of substantiated[9] losses of formula quantities of special nuclear material or substantiated[9] inventory discrepancies of formula quantities of special nuclear material that are judged to be caused by theft or diversion or by substantial breakdown of the accountability system.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	New Measure in FY 2007[12]	0	0	0	0	0
Actual:		0	0	0		

4. NSIR - Number of substantial breakdowns[13] of physical security or material control (i.e., access control, containment, or accountability systems) that significantly weakened the protection against theft, diversion, or sabotage.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	New Measure in FY 2007[12]	≤1	≤1	≤1	≤1	≤1
Actual:		0	0	0		

5. NSIR - Number of significant unauthorized disclosures of classified and/or safeguards information.[14]

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	0	0	0	0	0	0
Actual:	0	0	0	0		

Inspector General

In the 1970s, scandals, oil shortages, and stories of Government corruption covered by media outlets negatively impacted the American public's faith in its Government. The U.S. Congress knew it had to restore the public's trust by increasing oversight of Federal programs and creating a mechanism to evaluate effectiveness. In response, the landmark legislation known as the Inspector General (IG) Act was signed into law in 1978. The IG Act created independent Inspectors General who were entrusted to protect the integrity of Government; improve program efficiency and effectiveness; prevent and detect fraud, waste, and abuse in Federal agencies, and keep agency heads and Congress fully informed of the findings of the IG work.

In 1988, the IG Act was amended and established Inspectors General in smaller, independent agencies. In 2008, Congress again amended the IG Act to enhance the independence of the Inspectors General, create a Council of the Inspectors General on Integrity and Efficiency and for other purposes.

There are currently 69 statutory Offices of Inspector General (OIGs) throughout Government. Today, the IG concept is a proven success and continues to deliver significant benefits to Federal agencies and our Nation.

NRC's OIG was established as a statutory entity on April 15, 1989, in accordance with the 1988 amendments. The OIG mission is to (1) independently and objectively conduct and supervise audits and investigations relating to NRC programs and operations, (2) prevent and detect fraud, waste, and abuse, and (3) promote economy, efficiency, and effectiveness in NRC's programs and operations.

In addition, OIG reviews existing and proposed regulations, legislation, and directives and provides comments, as appropriate; and makes recommendations to the agency concerning their impact on the economy and efficiency of agency programs and operations. The Inspector General keeps the NRC Chairman and members of Congress informed about problems; recommends corrective actions; and monitors NRC's progress in implementing these actions.

Budget Overview

					FY 2011			
Summary	FY 2009 Enacted		FY 2010 Enacted		Request		Change from FY 2010	
	$M	FTE	$M	FTE	$M	FTE	$M	FTE
Budget Authority by Program								
Program Support	1.870		1.406		0.518		(0.888)	
Program Salaries & Benefits	8.990	58	9.454	58	9.584	58	0.130	0
Total	**$10.860**	**58**	**$10.860**	**58**	**$10.102**	**58**	**($0.758)**	**0**

Numbers may not add due to rounding

Program Resource Summary: The FY 2011 proposed budget request for the Office of the Inspector General is $10.102 million, which includes $9.584 million in salaries and benefits to support 58 FTE, and $518,000 in contract support and travel. These resources will fund the activities for the Audits and Investigations Programs.

BUDGET AUTHORITY AND FTE BY PROGRAM

					FY 2011			
	FY 2009 Enacted		FY 2010 Enacted		Request		Change from FY 2010	
Programs	$M	FTE	$M	FTE	$M	FTE	$M	FTE
Audits	7.210	37	7.142	37	6.358	37	(0.784)	0
Investigations	3.650	21	3.718	21	3.744	21	0.026	0
Total	**$10.860**	**58**	**$10.860**	**58**	**$10.102**	**58**	**($0.758)**	**0**

Numbers may not add due to rounding

In accordance with Office of Management and Budget (OMB) requirements, OIG is showing the full cost associated with its programs for the FY 2011 budget with the following caveat. As a result of an October 1989 memorandum of understanding between NRC's Chief Financial Officer and the Inspector General and a subsequent amendment in March 1991, OIG no longer requests that funding for some OIG management and support services be included in the OIG appropriation. It was agreed that funds for OIG infrastructure requirements and other agency support services would instead be included in NRC's main appropriation. For the most part, these costs are not readily severable. Thus, this funding continues to be included in NRC's main appropriation.

For FY 2011, OIG requests $6.358 million and 37 FTE to carry out its Audits Program activities. With these resources, the Audits Program will conduct approximately 25 audits and evaluations. In addition, OIG will provide enhanced coverage of NRC's Nuclear Reactor Safety Program that have grown in response to a national resurgence of interest in the construction of new nuclear power plants and associated facilities and programs. OIG's assessment of these mission critical programs will support the agency in accomplishing its goals while protecting public health and safety.

Audits Program

					FY 2011			
Summary	FY 2009 Enacted		FY 2010 Enacted		Request		Change from FY 2010	
	$M	FTE	$M	FTE	$M	FTE	$M	FTE
Budget Authority by Program								
Program Support	7.210	37	7.142	37	6.358	37	(0.784)	0
Total	**$7.210**	**37**	**$7.142**	**37**	**$6.358**	**37**	**($0.784)**	**0**

Numbers may not add due to rounding

AUDITS

The OIG Audits Program focuses on the agency's management and financial operations; economy and efficiency with which an organization, program, or function is managed; and whether the programs achieve intended results. OIG auditors assess the degree to which an organization complies with laws, regulations, and internal policies in carrying out programs, and they test program effectiveness as well as the accuracy and reliability of financial statements. The overall objective of an audit is to identify ways to enhance agency operations and promote greater economy and efficiency.

CHANGES FROM FY 2010 ENACTED

Resources decrease slightly in the Audits Program which will be addressed using other available sources.

FY 2010–FY 2011 AUDITS PROGRAM PERFORMANCE GOALS

- Safety Area: 85% of audit products/activities undertaken will identify risk areas or management challenges relating to the improvement of NRC's safety programs.
- Security Area: 90% of audit products/activities undertaken will identify risk areas or management challenges relating to the improvement of NRC's security programs.
- Corporate Management Area: 80% of audit products/activities undertaken will identify risk areas or management challenges relating to the improvement of NRC's corporate management programs.
- Eighty percent of completed audit products or activities will have a high impact on strengthening NRC's safety, security, and/or corporate management programs.
- Obtain agency agreement on at least 92% of OIG audit recommendations.
- Obtain final agency action on an aggregate of 70% of OIG audit recommendations within 2 years.

SELECTED FY 2009 AUDITS PROGRAM ACCOMPLISHMENTS

In FY 2009, OIG issued 21 reports pertaining to NRC programs and operations. These reports either evaluate high-risk agency programs or comply with mandatory financial and computer security-related legislation.

EXAMPLES OF RECENTLY COMPLETED WORK ARE AS FOLLOWS:

Audit of Force-on-Force Inspections:

NRC conducts Force-on-Force inspections at each of the Nation's nuclear power plants on at least a triennial basis in accordance with the 2005 Energy Policy Act. A Force-on-Force inspection is a performance-based inspection designed to assess the ability of licensees' security organizations to protect their facilities against sabotage. Any potentially significant deficiencies identified during these inspections are to be promptly corrected by the licensee. The agency's Office of Nuclear Security and Incident Response (NSIR) manages the Force-on-Force inspection program.

The objective of this audit was to evaluate NRC's Force-on-Force inspection program to determine if the design and implementation of the program are thorough, consistent, and in accordance with NRC standards. The audit focused on the program's development from the first triennial inspection cycle through the current second triennial inspection cycle.

Audit Results:

NRC met its 2005 Energy Policy Act requirement to conduct Force-on-Force inspections on a triennial basis, and the program has adequate management controls to ensure that inspections are thorough and comply with NRC standards. In particular, OIG found: NSIR management assessed the Force-on-Force program early in the second inspection cycle and subsequently undertook organizational and procedural changes to improve internal controls and program performance. However, NSIR and regional staff differ over interpretation of some NRC guidance and approaches to conducting Force-on-Force inspections. By taking steps to reach agreement between headquarters and regional staff regarding Force-on-Force inspection program guidance, objectives, and best practices, NRC can better ensure its credibility with licensees and foster positive working relationships among staff involved in the Force-on-Force inspection program.

Audit of NRC's Occupant Emergency Program:

An Occupant Emergency Program (OEP) is defined as "a short-term emergency response program [that] establishes procedures for safeguarding lives and property during emergencies." A fundamental part of an OEP is an occupant emergency plan containing a set of procedures to protect life and property in a specific Federally occupied space under defined emergency conditions. Federal management regulations require every facility owned or leased by the Federal Government to have an occupant emergency plan. These regulations contain detailed information on how the plan should be developed and implemented. NRC Management Directive 10.130, Safety and Health Program Under the Occupational Safety and Health Act, provides criteria for developing and implementing individualized occupant emergency plans for each NRC-owned or leased building. The audit objective was to evaluate the extent to which the agency's Occupant Emergency Program complies with Federal regulations and standards.

Audit Results:

Although NRC's OEP meets Federal requirements and standards, weaknesses pertaining to the implementation of the OEP were identified. Specifically,

- NRC staff lacks awareness of emergency procedures, which could result in NRC staff and other building occupants not knowing how to respond appropriately during an emergency.
- Emergency equipment is inadequate and poorly maintained, which could result in lifesaving emergency equipment not being available and ready to use when needed.
- Signs in the White Flint complex are inadequate and inconsistent, which could result in staff not being able to evacuate the White Flint Complex safely and expediently during an emergency.

Audit of NRC's Oversight of Construction at Nuclear Facilities:

The nuclear industry is on the verge of constructing new nuclear power plants, but it has been decades since industry and NRC have been involved in the design and construction of such plants. Further, reactors are currently under construction around the world, and there have been reported problems with the quality of the construction. OIG's objective was to determine if and how NRC is identifying and incorporating lessons learned in its construction inspection program.

Audit Results:

NRC's process for identifying construction lessons learned contains some, but not all, of the key elements of a successful program. Key elements include support from upper management, a definition of the term "lessons learned," a well-defined work process for submitting and collecting potential lessons learned, and screening by qualified personnel. The lack of a well-developed process could jeopardize the construction inspection program's goal to prevent recurrences of construction-related problems and may compromise the public's confidence in NRC's ability to effectively oversee new nuclear construction projects.

Audit of NRC's Material Control and Accounting Security Measures for Special Nuclear Materials at Fuel Cycle Facilities:

The primary goal of the agency's Material Control and Accounting (MC&A) inspection program is to ensure that the licensee's MC&A system adequately detects and protects against the loss, theft, or diversion of special nuclear material that the licensee is authorized to possess, store, and utilize at its facility. The audit objective was to assess the effectiveness of NRC's MC&A inspection program over the accountability of special nuclear materials at fuel cycle facilities.

Audit Results:

The MC&A inspection program is at risk from the following:

- Lack of procedures with prioritized direction and detailed sampling instruction, which could result in NRC's relatively inexperienced MC&A inspection staff being unable to conduct MC&A inspection in a consistent, thorough manner.
- Limited qualified staff inhibiting NRC's ability to assure that inspections are conducted in a consistent, thorough manner.
- Lack of specialized training to enhance management knowledge, thereby increasing the risk that inspector errors will go undetected.

EXAMPLES OF ONGOING AUDIT WORK ARE AS FOLLOWS:

Audit of NRC's Quality Assurance Planning for New Reactor:.

Federal regulations require every applicant for a construction permit to include in its preliminary safety analysis report a description of the quality assurance program to be applied to the design, fabrication, construction, and testing of the structures, systems, and components of the facility. The audit objective is to determine the extent to which NRC provides oversight of applicant new reactor quality assurance programs.

Audit of the Placement and Monitoring of Work with Department of Energy Laboratories:

NRC obligated approximately $67 million in FY 2007 and $65 million in FY 2008 for agreements with Department of Energy laboratories. The audit objective is to determine whether NRC has established and implemented an effective system of internal control over the placement and monitoring of work with the laboratories.

Audit of NRC's Personnel Security Clearance Process for Employees:

The Atomic Energy Act of 1954, as amended, requires all NRC employees to have a security clearance. To obtain these security clearances, NRC requests a full background investigation from the Office of Personnel Management (OPM). After the OPM background investigation is returned to NRC, security staff evaluates the subject in light of the OPM investigative report information. Based on the issues raised, it may take several months to more than a year to complete this review and grant or deny a security clearance. The audit objectives are to determine whether (1) NRC is in compliance with external and internal personnel security requirements and (2) NRC's personnel security clearance program is efficiently managed.

Investigations Program

Summary	FY 2009 Enacted		FY 2010 Enacted		FY 2011 Request		FY 2011 Change from FY 2010	
	$M	FTE	$M	FTE	$M	FTE	$M	FTE
Budget Authority by Program								
Program Support	3.650	21	3.718	21	3.744	21	.026	0
Total	**$3.650**	**21**	**$3.718**	**21**	**$3.744**	**21**	**$.026**	**0**

Numbers may not add due to rounding

INVESTIGATIONS

OIG's responsibility for detecting and preventing fraud, waste, and abuse within NRC includes investigating possible violations of criminal statutes relating to NRC programs and activities, investigating misconduct by NRC employees, interfacing with the Department of Justice on OIG-related criminal matters, and coordinating investigations and other OIG initiatives with Federal, State, and local investigative agencies and other OIGs. Investigations may be initiated as a result of allegations or referrals from private citizens; licensee employees; NRC employees; Congress; other Federal, State, and local law enforcement agencies; OIG audits; the OIG hotline; and IG initiatives directed at bearing a high potential for fraud, waste, and abuse.

For FY 2011, OIG requests $3.744 million and 21 FTE to carry out its Investigations Program activities. Reactive investigations into allegations of criminal and other wrongdoing will continue to claim priority on OIG's use of available resources. Because NRC's mission is to protect the health and safety of the public, the Investigations Program's main concentration of effort and resources will involve investigations of alleged NRC staff misconduct that could adversely impact matters related to health and safety. OIG has also implemented a series of proactive initiatives designed to identify specific high-risk areas that are most vulnerable to fraud, waste, and abuse. With these resources, OIG will conduct approximately 60 investigations and Event Inquiries covering a broad range of allegations concerning misconduct and mismanagement affecting various NRC programs.

CHANGES FROM FY 2010 ENACTED

Resources increase slightly in the Investigations Program because of salaries and benefits, training costs, and other support activities.

FY 2010–FY 2011 INVESTIGATIONS PROGRAM PERFORMANCE GOALS

- Safety Area: 85% of investigation products/activities undertaken will identify risk areas or management challenges relating to the improvement of NRC's safety programs.

- Security Area: 90% of investigation products/activities undertaken will identify risk areas or management challenges relating to the improvement of NRC's security programs.
- Corporate Management Area: 80% of investigation products/activities undertaken will identify risk areas or management challenges relating to the improvement of NRC's corporate management programs.
- Eighty percent of investigations or activities completed will have a high impact on strengthening NRC's safety, security, and /or corporate management programs.
- Obtain 90% agency action in response to OIG investigative reports.
- Complete 90% of active cases in less than 18 months on average.

SELECTED FY 2009 INVESTIGATIONS PROGRAM ACCOMPLISHMENTS

In FY 2009, OIG completed 40 investigations and Event Inquiries. These investigative efforts focused on violations of law or misconduct by NRC employees and contractors and allegations of irregularities or inadequacies in NRC programs and operations.

EXAMPLES OF RECENTLY COMPLETED WORK ARE AS FOLLOWS:

Allegation That NRC Staff Not Properly Reviewing MOX Fuel Fabrication Facility License Application:

OIG conducted an investigation into an allegation that NRC management ignored safety concerns regarding a license application for a Mixed Oxide (MOX) Fuel Fabrication Facility in Aiken, South Carolina. Specifically, it was alleged that NRC management did not ask the license applicant to clarify safety significant portions of its application.

Investigative Results:

OIG learned that in accordance with NRC's license review process, the MOX chemical engineering review team reviewed all concerns. Based on this review, the team determined some concerns were not applicable to the chemical engineering review. The investigation also determined that the chemical engineering reviewers sent some concerns to teams reviewing other issues and included other concerns in the chemical engineering request for additional information sent to the license applicant.

NRC's Process for Reviewing Security Related Allegations:

OIG conducted an investigation that examined NRC's process for handling security-related allegations in each NRC region.

Investigative Results:

NRC policy encourages staff to refer as many security-related allegations as possible to licensees for review. OIG identified several licensee allegation responses that NRC could have reviewed more thoroughly to ensure that the licensee performed an adequate evaluation. It was determined that while NRC staff reviewed derivative licensee responses for adequacy, they typically do not independently verify information provided by licensees or seek supporting documentation. Further, OIG identified a security-related allegation involving a licensee management official that, pursuant to established NRC policy, should not have been given to a licensee to review but rather should have been reviewed internally.

EXAMPLES OF ONGOING INVESTIGATIVE WORK ARE AS FOLLOWS:

Nuclear Proliferation:

OIG initiated a proactive effort to address possible proliferation of nuclear materials and technology within the regulatory purview of the NRC. This effort will focus on whether the regulatory process allows individuals and companies to inappropriately obtain NRC information and/or nuclear material. The project objectives are aimed at identifying potential fictitious or shell companies that obtain an NRC license and whether such companies export nuclear material without appropriate authorization. The project will also focus on whether NRC licensees who are legitimately authorized to possess nuclear materials violate license requirements by exceeding their authorized license limits.

Medical Use of Radioactive Materials:

NRC has authority to regulate the use of radioactive materials for medical purposes. While NRC has a relatively clear set of criteria for oversight of radioactive materials for medical purposes, this project will focus on the effectiveness of NRC's oversight of the medical use program. In particular, OIG will review NRC's oversight of the Event Notification Reporting System which may involve adverse consequences from the use of radioactive materials in medical procedures and whether licensees have met reporting requirements.

NRC Network Intrusions:

Like many Government agencies, NRC has seen an increase in instances of internal and external cyber breaches of the NRC information technology infrastructure that could adversely impact the NRC's ability to meet its regulatory mission. OIG has initiated a project to work jointly with the NRC Office of Information Services and NRC Computer Security Office to identify activities that could pose a potential threat to the NRC network.

OIG'S STRATEGIC GOALS, STRATEGIES, AND ACTIONS

The Office of the Inspector General carries out its mission through its Audits and Investigations Programs. The FY 2008-2013 NRC-OIG Strategic Plan features three goals and guides the activities of its Audits and Investigations Programs. The plan identifies the major challenges and risk areas facing the NRC and generally aligns with the agency's mission.

OIG STRATEGIC GOALS

- Strengthen NRC's efforts to protect public health and safety and the environment.
- Enhance NRC's efforts to increase security in response to an evolving threat environment.
- Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

The FY 2008-2013 NRC-OIG Strategic Plan presents the office's priorities for the covered timeframe. It describes OIG's strategic direction to stakeholders, including the NRC Chairman, and U.S. Congress. From this perspective, it presents OIG's results-based business case, explaining the return on investment. It also strengthens OIG by providing a shared set of expectations regarding the goals OIG expects to achieve and the strategies that it will use to do so. OIG adjusts the plan as circumstances necessitate, uses it to develop its annual plan and performance budget, and holds managers and staff accountable for achieving the goals and outcomes.

OIG's strategic plan also includes a number of supporting strategies and actions that describe planned accomplishments over the strategic planning period. Through associated annual planning activities, audit and investigative resources focus on assessing NRC's safety, security, and corporate management programs involving the major challenges and risk areas facing the NRC in the given budget year. The work of the OIG auditors and investigators support and complement each other in the pursuit of these objectives.

STRATEGIC GOAL 1: STRENGTHEN NRC'S EFFORTS TO PROTECT PUBLIC HEALTH AND SAFETY AND THE ENVIRONMENT.

Discussion: NRC faces many safety challenges and an associated increased workload in the coming years related to nuclear reactor oversight, the regulation of nuclear materials, and the handling of nuclear waste. A significant concern for NRC is regulating the safe operation of the Nation's nuclear power plants through an established oversight process developed to verify that licensees identify and resolve safety issues before they adversely affect safe plant operation.

In addition, NRC must address an increasing number of license amendment requests to increase the power generating capacity of specific commercial reactors, license renewal requests to extend reactor operations beyond originally set expiration dates, and the introduction of new technology such as new and advanced reactor designs. In fulfilling its responsibilities to regulate nuclear materials, NRC must ensure that its regulatory activities regarding nuclear fuel cycle facilities and nuclear materials adequately protect public health and safety. NRC's regulatory activities concerning nuclear materials must protect against radiological sabotage and theft or diversion of these materials. Further, licensing of facilities (e.g., fuel fabrication) with new technologies poses additional challenges.

The handling of nuclear waste includes both low-level and high-level waste. Low-level waste includes items that have become contaminated with radioactive materials or have become radioactive through exposure to neutron radiation. Low-level waste disposal occurs at commercially operated low-level waste disposal facilities that must be licensed by either NRC or Agreement States. However, no new disposal facilities have been built since the 1980s and unresolved issues continue regarding the closures of the disposal facilities.

High-level radioactive waste is primarily in the form of spent fuel discharged from commercial nuclear power reactors. In the high-level waste area, NRC faces significant issues involving the potential licensing of the Yucca Mountain repository and certain aspects of the transportation of designated high-level waste from plants and facilities. Additional high-level waste issues include the interim storage of spent nuclear fuel both at and away from reactor sites, certification of storage and transport casks, and the oversight of the decommissioning of reactors and other nuclear sites. Further, DOE and the industry will need contingency plans if the repository is not licensed or not available as scheduled, and NRC will need to be able to respond to those plans.

Strategy 1-1: Identify risk areas associated with NRC's Reactor Oversight Process and make recommendations, as warranted, for addressing them.

Actions:

a. Assess the adequacy of NRC's licensing and other oversight activities with regard to the safe operation of existing nuclear reactors.

b. Assess the extent and effectiveness of NRC's emergency preparedness and incident response in relation to design-basis and beyond-design-basis events.

c. Assess NRC's implementation of its risk-informed approach to licensing and regulatory oversight.

d. Assess the impact that an increase in license renewal and power uprate requests would have on the licensing process.

e. Assess the effectiveness of the NRC regulatory process and related enforcement actions.

f. Assess NRC's actions to identify and address the potential risks associated with aging facilities and with the introduction of new technology.

g. Monitor NRC activities and gather stakeholder information to identify potential gaps in NRC regulatory oversight. Conduct, as appropriate, investigations and Event Inquiries when gaps are identified.

h. Assess NRC's actions to identify and address the potential risks associated with the introduction of new technology into currently operating facilities.

Strategy 1-2: Identify risk areas associated with NRC efforts to (1) prepare for and manage the review of applications for new power reactors, and (2) oversee construction of new power reactors to verify that they are built in conformance with approved designs and in compliance with approved construction standards and make recommendations, as warranted, for addressing the risks.

Actions:

a. Assess the extent to which NRC has examined the history of the licensing and construction of the first generation of plants and has developed a methodology to incorporate the lessons learned into the new licensing and construction process to include the design certification process.

b. Assess the adequacy of NRC's application acceptance, review process, and approval standards.

c. Assess the adequacy of NRC's development of a construction inspection program.

d. Assess the adequacy of NRC's development of a rigorous quality assurance oversight program.

e. Assess the environmental review process associated with new site construction to ensure that NRC carries out its responsibilities.

f. Assess NRC's actions to address stakeholder concerns over potential gaps in NRC oversight of new construction.

g. Assess NRC oversight of vendor material used in the construction of new reactor plants.

h. Assess NRC's integration of operating experience, generic safety issues, and the introduction of new technologies (e.g., digital products) into new reactor licensing.

i. As appropriate, conduct investigations and Event Inquiries when irregularities are identified.

Strategy 1-3: Identify risk areas facing the materials programs and make recommendations, as warranted, for addressing them.

Actions:

a. Assess NRC's implementation of programs for controlling, accounting for, tracking, and inspecting nuclear materials.

b. Assess the extent to which NRC has integrated into the materials program its emergency preparedness and incident response obligations associated with a potential significant nuclear event or incident.

c. Assess NRC activities concerning the licensing, oversight, and aging effects of fuel cycle facilities.

d. Assess NRC's handling of low-level waste issues, including security and disposal.

e. Assess the impact of the Agreement State program on the safety and security of materials and on NRC regulatory activities.

f. Review NRC and licensee reports and engage interested stakeholders to identify issues of concern in NRC oversight of nuclear material held by NRC licensees.

g. Assess NRC's oversight of nuclear waste issues associated with the decommissioning and cleanup of nuclear reactor sites and other facilities.

h. Through proactive initiatives, determine if material licensees have exceeded their license authorities and whether the NRC has failed to provide effective oversight.

Strategy 1-4: Identify risk areas associated with low-level waste and the prospective licensing of the high-level waste repository and make recommendations, as warranted, for addressing them.

Actions:

a. Assess the key issues affecting the safe management of civilian low-level waste disposal, including the availability of low-level radioactive waste disposal sites.

b. Assess NRC's regulatory activities involving the interim storage of high-level waste and spent fuel both at and away from reactor sites.

c. Assess the adequacy of NRC's planned response if Yucca Mountain is not licensed or available as currently scheduled, including NRC's ability to respond to DOE and industry contingency plans.

d. Assess issues involving the review of the Yucca Mountain repository application and certain aspects of the transportation of designated high-level waste from plants and facilities.

e. As appropriate, conduct investigations and Event Inquires to determine NRC's efforts in addressing stakeholders concerns regarding low-level and high-level waste storage issues.

STRATEGIC GOAL 2: ENHANCE NRC'S EFFORTS TO INCREASE SECURITY IN RESPONSE TO AN EVOLVING THREAT ENVIRONMENT.

Discussion: NRC continues to face a number of challenges in ensuring the public is protected from improper use of nuclear materials and technology.

NRC, in concert with other agencies, must maintain a comprehensive assessment of threats and effectively integrate security considerations into its regulatory process. NRC must also ensure that security is adequately incorporated into the design and construction of new facilities.

In light of terrorist threats, natural disasters, and expanding populations around nuclear power plants, NRC plays a critical role in supporting emergency preparedness and incident response within the nuclear industry and State and local governments. NRC must protect its infrastructure and ensure that its facilities, computers, people, and competencies are adequately protected against emerging threats while providing for continuity of operations.

NRC faces new challenges in supporting United States international interests in the safe and secure use of nuclear materials and technology and in nuclear nonproliferation. These challenges include improving controls on the import and export of nuclear materials and equipment and NRC's successful exercising of its international oversight commitments, such as helping foreign regulators boost their efforts for controlling radioactive sources.

Strategy 2-1: Identify risk areas involved in effectively securing both operating and proposed nuclear power plants, nuclear fuel cycle facilities, and nuclear materials and make recommendations, as warranted, for addressing them.

Actions:

a. Assess the adequacy of NRC's oversight activities with regard to the security of nuclear materials and facilities.

b. Assess the comprehensiveness of NRC's threat assessment and the process for keeping it up to date.

c. Assess the adequacy of regulations to respond to an evolving threat environment and the extent to which NRC is making appropriate adjustments.

d. Assess NRC's coordination with other agencies.

e. Assess NRC's acquisition of resources and expertise to meet its security responsibilities.

f. Monitor the development of NRC requirements to enhance nuclear security in response to an evolving threat environment.

g. Where appropriate, conduct investigations and Event Inquiries designed to address NRC's efforts in providing oversight of licensee responsibilities.

Strategy 2-2: Identify risks associated with Emergency Preparedness and make recommendations, as warranted, for addressing them.

Actions:

a. Assess NRC's management of Emergency Preparedness guidelines, regulations, and programs.

b. Assess NRC's ability to provide internal technical expertise on Emergency Preparedness issues and perform regulatory reviews of Emergency Preparedness applications and amendments.

c. Assess NRC's performance of technical reviews of Emergency Preparedness applications and amendments.

d. Assess NRC's management of the coordination with Federal, State, and local governments and licensees.

Strategy 2-3: Identify challenges involved in responding to incidents and make recommendations, as warranted, for addressing them.

Actions:

a. Assess NRC's efforts to prepare for responding to nuclear incidents, including training, system reliability and interoperability, personnel availability, and response team organization and coordination.

b. Assess the integration and coordination of NRC's efforts with other agencies at all levels.

Strategy 2-4: Identify evolving threats to NRC security and make recommendations, as warranted, for addressing them.

Actions:

a. Assess how well NRC maintains a comprehensive threat assessment for its facilities and personnel.

b. Assess the extent to which NRC effectively implements physical and information security controls and procedures.

c. Assess how NRC balances security with public openness.

d. Assess NRC's protection of the NRC IT infrastructure against internal and external threats.

e. Assess NRC's continuity of operations planning in the event of an emergency.

f. As appropriate, conduct investigations into internal and external cyber breaches of NRC's IT infrastructure.

Strategy 2-5: Identify risks associated with nonproliferation of nuclear material and nuclear technology and make recommendations, as warranted, for addressing them.

Actions:

a. Assess NRC's management of controls on the import and export of nuclear materials and address nuclear technology transfer issues.

b. Assess NRC's responsibilities linked to established statutes, international treaties, conventions, and cooperative agreements.

c. Through proactive initiatives and, if appropriate, reactive investigations, identify potential shortcomings in NRC's actions to provide oversight of nuclear materials importation and exportation programs.

STRATEGIC GOAL 3: INCREASE THE ECONOMY, EFFICIENCY, AND EFFECTIVENESS WITH WHICH NRC MANAGES AND EXERCISES STEWARDSHIP OVER ITS RESOURCES.

Discussion: NRC faces significant challenges to efficiently, effectively, and economically manage its resources. Although a number of organizational changes have been implemented in recent years, more changes will occur over the strategic timeframe.

Over the next few years, the agency will need to balance workloads and priorities to support new reactor licensing efforts. This will create tremendous pressure on all program management areas, including human resources management, information technology, and financial management.

In addition, NRC needs to continue to improve its management and control over financial and other resources. As required by statute, OIG will continue to evaluate financial management practices and work with NRC staff to identify and improve weaknesses. The agency also needs to upgrade its information technology capabilities to provide state-of-the art tools to NRC staff.

Strategy 3-1: Identify areas of corporate management risk within NRC and make recommendations, as warranted, for addressing them.

Actions:

a. Assess NRC's management of human capital.

b. Assess NRC's financial management practices.

c. Provide reasonable assurance that NRC's financial statements are presented fairly in all material aspects.

d. Assess NRC's implementation of Governmentwide and agency information technology initiatives, including the security of agency technology and information.

e. Assess NRC's management of other administrative functions (e.g., contracts, property, facilities).

f. Examine allegations of misuse pertaining to NRC's corporate management resources to include personnel, procurement, financial, and information technology.

g. Investigate instances of alleged misconduct associated with NRC corporate management resources and programs.

h. Reduce instances of employee criminal and administrative misconduct through investigations or proactive initiatives.

OIG PROGRAM PERFORMANCE MEASURES

Measuring performance is a vital component of OIG's overall operation and is incorporated into the audits and investigations conducted.

OIG Strategic Goal 1: Strengthen NRC's Efforts To Protect Public Health and Safety and the Environment						
	2006	**2007**	**2008**	**2009**	**2010**	**2011**
Measure 1. Percentage of OIG products/activities[15] undertaken to identify risk areas or management challenges[16] relating to the improvement of NRC's safety programs.						
Target	80%	80%	80%	80%	85%	85%
Actual	100%	100%	100%	100%	TBD	TBD
Measure 2. Percentage of OIG products/activities that have a high impact[17] on improving NRC's safety program.						
Target	70%	70%	70%	70%	85%	85%
Actual	100%	100%	100%	89%	TBD	TBD
Measure 3. Number of audit recommendations agreed to by agency.						
Target	90%	90%	90%	90%	92%	92%
Actual	81%[18]	100%	93%	60%[19]	TBD	TBD
Measure 4. Final agency action within 1 year of audit recommendations.						
Target	50%	50%	50%	50%	70%[20]	70%
Actual	63%	36%[21]	63%	67%	TBD	TBD
Measure 5. Agency action in response to investigative reports.						
Target	90%	90%	90%	90%	95%	95%
Actual	100%	100%	100%	100%	TBD	TBD
OIG Strategic Goal 2: Enhance NRC's Efforts To Increase Security in Response to an Evolving Threat Environment						
	2006	2007	2008	2009	2010	2011
Measure 1. Percentage of OIG products/activities undertaken to identify risk areas or management challenges relating to the improvement of NRC's security programs.						
Target	85%	85%	85%	85%	90%	90%
Actual	100%	100%	100%	100%	TBD	TBD
Measure 2. Percentage of OIG products/activities that have a high impact on improving NRC's security program.						
Target	70%	70%	70%	70%	75%	75%
Actual	100%	100%	100%	100%	TBD	TBD
Measure 3. Number of audit recommendations agreed to by agency.						
Target	90%	90%	90%	90%	92%	92%
Actual	100%	100%	100%	82%[22]	TBD	TBD

Measure 4. Final agency action within 1 year of audit recommendations.						
Target	65%	65%	65%	65%	70%[23]	70%
Actual	25%[24]	61%[25]	70%	40%[26]	TBD	TBD
Measure 5. Agency action in response to investigative reports.						
Target	90%	90%	90%	90%	90%	90%
Actual	100%	100%	100%	100%	TBD	TBD

OIG Strategic Goal 3:

Improve the Economy, Efficiency, and Effectiveness with which NRC Manages and Exercises Stewardship over Its Resources

	2006	2007	2008	2009	2010	2011
Measure 1. Percentage of OIG products/activities undertaken to identify risk areas or management challenges relating to the improvement of NRC's resources stewardship.						
Target	65%	65%	65%	65%	80%	80%
Actual	99%	100%	100%	100%	TBD	TBD
Measure 2. Percentage of OIG products/activities that have a high impact on improving NRC's resources stewardship.						
Target	70%	70%	70%	70%	85%	85%
Actual	96%	100%	100%	92%	TBD	TBD
Measure 3. Number of audit recommendations agreed to by the agency.						
Target	90%	90%	90%	90%	92%	92%
Actual	100%	100%	100%	96%	TBD	TBD
Measure 4. Final agency action within 1 year of audit recommendations.						
Target	65%	65%	65%	65%	70%[27]	70%
Actual	60%[28]	85%	53%[29]	54%[30]	TBD	TBD
Measure 5. Agency action in response to investigative reports.						
Target	90%	90%	90%	90%	90%	90%
Actual	100%	100%	100%	100%	TBD	TBD
Measure 6. Acceptance by NRC's Office of the General Counsel of OIG-referred Program Fraud and Civil Remedies Act cases.						
Target	70%	70%	70%	70%[31]		
Actual	100%	No referrals	No referrals	No referrals		

VERIFICATION AND VALIDATION OF MEASURED VALUES AND PERFORMANCE

OIG uses an automated management information system to capture program performance data for the Audits and Investigations Programs. The integrity of the system was thoroughly tested and validated before implementation. Reports generated by the system provide both detailed information and summary data. Beginning with FY 2006, statistics for the Audits and Investigations Program were fully integrated into the new system and used to compile OIG statistical performance data. All system data are deemed reliable.

PROGRAM EVALUATIONS (PEER REVIEWS)

An independent audit peer review performed in FY 2009 found that the audit organization's system of quality control provided reasonable assurance that audits were conducted in accordance with applicable professional standards. Independent quality assurance reviews undertaken in FY 2007 and FY 2008 determined that audits were conducted in conformance with the Government Accountability Office's Government Auditing Standards. In addition, an independent investigative peer review was conducted in FY 2007 of the OIG Investigations Program. The program was found to be in compliance with President's Council on Integrity and Efficiency and Department of Justice investigative standards.

INSPECTOR GENERAL REFORM ACT CERTIFICATION FOR FY 2011

In accordance with the Inspector General Reform Act (Public Law 110-409), the aggregate budget request for NRC OIG operations for FY 2011 is $10.102 million and 58 FTE.

The Inspector General certifies that NRC's OIG training request of $142,000 satisfies all training requirements for the Inspector General's office for FY 2011. In addition, sufficient funds are available in the FY 2011 budget request to include the necessary funding resources of approximately $25,000 to support the Council of the Inspectors General on Integrity and Efficiency.

FY 2011 BUDGET RESOURCES LINKED TO STRATEGIC GOALS

The following table depicts the relationship of the Inspector General program and associated resource requirements to OIG strategic goals.

Program Links to Strategic Goals

	OIG Strategic Goals		
	Strengthen NRC's Public Health & Safety Efforts	**Enhance NRC's Security Efforts**	**Increase NRC's Resource Stewardship Efforts**
FY 2011 Programs ($10,102,000; 58 FTE)			
Audits	$3,153,000	$1,103,000	$2,102,000
($6,358,000; 37 FTE)	18.5 FTE	6.5 FTE	12.0 FTE
Investigations	$1,462,000	$626,000	$1,656,000
($3,744,000; 21 FTE)	8.0 FTE	3.5 FTE	9.5 FTE

Numbers may not add due to rounding

MANAGEMENT AND OPERATIONAL SUPPORT

The IG's Management and Operational Support staff consists of senior managers, the general counsel, and an administrative support staff. OIG's senior managers will provide the continued vision, strategic direction, and guidance regarding the conduct and supervision of audits and investigations. Senior management will also ensure accountability regarding OIG's established goals and strategies and achievement of intended results.

In furtherance of OIG's mission to promote economy and efficiency, and to prevent fraud, waste, and abuse in agency programs and operations, OIG's general counsel, in coordination with cognizant OIG staff, will conduct analyses of existing and proposed legislation, regulations, directives, and policy issues. These objective analyses will result in timely written commentaries to the agency that prospectively identify and prevent potential problems.

The administrative support staff will assist OIG programs by providing independent personnel services; information technology and information management support; financial management, policy, and strategic planning support; training coordination; and the publication of OIG's Semiannual Report to Congress in accordance with the requirements of the Inspector General Act.

To carry out the functions of this program in FY 2011, OIG estimates that its costs will be $1,453,000, which includes salaries and benefits for eight FTE. The tables below provide a breakdown of the FY 2011 budget estimates for Management and Operational Support by program and a cost comparison by function.

ALLOCATION OF SUPPORT COSTS TO OIG PROGRAMS
(Dollars in Thousands)

Management and Operational Support Allocation by Program)	FY 2011 FTE	FY 2011 Salaries and Benefits	FY 2011 Contract and Support
Audits	5	830	78
Investigations	3	498	47
Total	**8**	**1,328**	**125**

Numbers may not add due to rounding

COMPARATIVE COSTS OF MANAGEMENT AND OPERATIONAL SUPPORT
(Dollars in Thousands)

Summary	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Request[32]
Budget Authority by Function			
Salaries and Benefits	1,240	1,304	1,328
Contract Support and Travel	326	149	125
Total Budget Authority	**1,566**	**1,453**	**1,453**
FTE	8	8	8

Numbers may not add due to rounding

Appendix I

Budget Authority by Function

The U.S. Nuclear Regulatory Commission's (NRC's) budget authority is aggregated into the major categories of salaries and benefits, contract support, and travel. Salaries and benefits are estimated based upon full-time equivalent (FTE), pay rates, pay raise assumptions, and effective pay period for pay raise. Benefits cost include the Government's contributions for retirement, health benefits, life insurance, Medicare, Social Security, and the Thrift Savings Plan. Contract support consists of obligations for commercial contracts, interagency agreements, grants, and other nontravel services such as rent and utility payments. Travel costs consist primarily of the expenses for nuclear reactor inspection trips.

Budget Authority by Function
(Dollars in Millions)

NRC Appropriations	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Request	FY 2011 Changes from FY 2010
Salaries and Expenses (S&E)				
Salaries and Benefits	560.50	589.80	593.40	3.60
Contract Support	445.20	435.10	418.30	(16.80)
Travel	28.90	31.10	31.80	0.70
Total (S&E)	**$1034.60**	**$1056.00**	**$1043.50**	**$(12.50)**
Office of the Inspector General (OIG)				
Salaries and Benefits	9.00	9.50	9.60	0.10
Contract Support	1.59	1.13	0.21	(0.92)
Travel	0.31	0.28	0.29	0.02
Total (OIG)	**$10.90**	**$10.90**	**$10.10**	**$(0.80)**
Total NRC Appropriation				
Salaries and Benefits	569.50	599.30	603.00	3.70
Contract Support	446.79	436.23	418.21	(18.02)
Travel	29.21	31.38	32.39	1.02
Total (NRC)	**$1045.50**	**$1066.90**	**$1053.60**	**$(13.30)**

Numbers may not add due to rounding.

Appendix II

Corporate Support

The FY 2011 Performance Budget identifies the infrastructure and support costs for the U.S. Nuclear Regulatory Commission (NRC) and distributes them to programs as a portion of the total program cost. The allocation methodology is consistent with the methodology used for preparing the agency's financial statements. The business line tables present the associated infrastructure and support funding included in the programmatic funding to provide the full cost of each business line.

The agency's corporate support involves centrally managed activities that are necessary for the staff and agency programs to achieve goals more efficiently and effectively. These activities include administration and rent; human resources, outreach, and training and development; information technology, information management, and disaster recovery; financial management; performance management; and policy support services to the Commission and program area staff in performing regulatory mission activities and achieving their performance goals. The following tables display the costs and resources required for the agency's Corporate Support activities, organized by program and business line.

Corporate Support Allocation by Business Line
(Dollars in Millions)

	FY 2009 Enacted		FY 2010 Enacted		FY 2011 Request	
Business Line	**$M**	**FTE**	**$M**	**FTE**	**$M**	**FTE**
Operating Reactors	175.0	388.4	185.2	409.2	181.9	401.2
New Reactors	76.0	168.7	79.9	176.4	83.0	183.2
Nuclear Reactor Safety Subtotal	**$251.0**	**557.1**	**$265.1**	**585.7**	**$264.8**	**584.3**
Operating Fuel Facilities	10.5	23.2	11.8	26.0	11.9	26.3
New Fuel Facilities	7.0	15.6	7.0	15.5	8.4	18.6
Nuclear Materials Users	27.9	61.9	28.5	63.0	28.3	62.5
Spent Fuel Storage and Transportation	8.8	19.6	11.5	25.3	11.4	25.1
Decommissioning and Low-Level Waste	13.5	30.0	13.9	30.6	13.2	29.2
High-Level Waste	10.6	23.6	5.2	10.9	0.0	0.0
Integrated Spent Fuel Management	0.0	0.0	0.0	0.0	4.9	10.9
Nuclear Materials and Waste Safety Subtotal	**$78.4**	**174.0**	**$77.8**	**171.2**	**$78.1**	**172.6**
Corporate Support Allocation Total	**$329.3**	**731.1**	**$343.0**	**756.9**	**$343.0**	**756.8**

Numbers may not add due to rounding.

FY 2011 Corporate Support Budget Authority and Full-Time Equivalent by Product Line
(Dollars in Millions)

					FY 2011			
	FY 2009 Enacted		FY 2010 Enacted		Request		Changes from FY 2010	
Product Line	$M	FTE	$M	FTE	$M	FTE	$M	FTE
Administration and Rent	92.9	88.0	104.0	84.0	103.7	84.0	(0.3)	0.0
Human Resources, Outreach and Training and Development	58.9	71.0	51.1	74.0	50.2	74.0	(0.9)	0.0
Information Technology, Information Management, and Disaster Recovery	96.6	152.7	98.9	155.7	98.5	156.7	(0.4)	1.0
Financial Management	34.8	138.0	37.3	138.0	39.1	142.0	1.8	4.0
Performance Management	1.5	5.0	1.6	4.0	1.8	4.0	0.2	0.0
Policy Support	19.6	121.4	22.8	136.2	22.3	131.1	(0.5)	(5.1)
Supervisory, Non-Supervisory, and Travel	25.0	155.0	27.3	165.0	27.4	165.0	0.1	0.0
Total	**$329.3**	**731.1**	**$343.0**	**756.9**	**$343.0**	**756.8**	**$0.0**	**(0.1)**

Numbers may not add due to rounding.

ADMINISTRATION AND RENT

The administration and rent budgets provide resources for Headquarters (HQ) full-time equivalent (FTE) staff; rent for HQ space; Information Technology (IT) systems; facilities management costs, including systems and office furniture, property management, utilities, labor services, custodial services, operation and maintenance services, and building alterations; administrative services, including shuttles, transit subsidies, supplies, multimedia services, security equipment and investigations, and guard services; and administrative services and rental costs in the regional offices.

HUMAN RESOURCES, OUTREACH, AND TRAINING AND DEVELOPMENT

Resources provide for professional development training, including leadership training; recruitment, outreach, and staffing activities; work/life services; strategic workforce planning; building and maintaining a positive, discrimination-free work environment; advocating for contracts with small businesses; and continuing efforts to implement the NRC's Outreach and Compliance Coordination Program in accordance with applicable Federal civil rights statutes and NRC regulations. These resources also support the agency's program for minority-serving higher education institutions, with the goal of obtaining a highly qualified, diverse workforce to meet hiring needs. In addition, resources provide for grants to universities for university-led, mission-related research in nuclear science, engineering, and related disciplines and trades.

In addition, resources will provide for permanent change-of-station activities, based on projected FTE increases, as well as employee relocations, including resident inspector moves and new agency hires.

SIGNIFICANT ACCOMPLISHMENTS

Strategic Management of Human Capital: To address challenges presented by the projected growth in the nuclear industry, the NRC has streamlined recruitment procedures, enhanced the agency's relocation and retention incentives process, and implemented to the maximum degree possible, short-term, contractor, and other flexible hiring practices, thereby enhancing the agency's ability to handle new work. Through the use of an automated strategic workforce planning tool, the NRC is able to determine what critical skill and knowledge gaps exist and can thereby focus its recruitment and other programs appropriately. The NRC's strategic approach to training and development allows the agency to establish priorities and leverage investments to ensure a comprehensive, integrated, competency-based system of staff training, which is more crucial with the large number of new employees.

In FY 2009, the NRC implemented several of the recommendations developed by a Lean Six Sigma Team to meet the timeliness standards established by the U.S. Office of Personnel Management (OPM) end-to-end hiring model, including launching the NRC Knowledge Center, an agencywide collection of electronic communities of practice designed to enable staff to collaborate, capture, and share knowledge in order to build organizational memory; establishing an Expertise Exchange to capture the lessons learned and best practices from the NRC's most experienced staff; and actively contacting Knowledge Management (KM) staff across the Federal family and in industry to identify best practices and lessons learned in KM.

OUTPUT MEASURES

Percentage of professional hires retained for a minimum of 3 years after initial employment

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	75%	75%	85%	85%	85%	85%
Actual:	95%	93%	82%	87%		

INFORMATION TECHNOLOGY, INFORMATION MANAGEMENT, AND DISASTER RECOVERY

In FY 2011, resources will support ongoing needs, including a new IT seat management contract, document and records management requirements, enhanced information security to meet new requirements and government mandates, computer security-related activities, a new Enterprise Content Management (ECM) solution for replacing aging document and records management technology, and a disaster recovery plan to include support of Continuity of Operations (COOP). Specifically, the budget provides support for the following ongoing activities:

- Infrastructure services and support activities manage the NRC's IT infrastructure agencywide and maintain current service levels. This includes the transition to the new IT infrastructure contract that is replacing the current seat contract; integration, testing, implementation, and maintenance of agency IT infrastructure capabilities; managed public key infrastructure (MPKI); operational security services and Federal Information Security Management Act (FISMA) compliance activities for infrastructure; telecommunications, such as cellular phone service for emergency response equipment including cell phones, BlackBerrys, and secure circuits for the Homeland Secure Data Network (HSDN); maintenance of the phone switch, voice mail, secure communications, and information security; and production operations to support systems administration and data center operations.
- Application development, maintenance, and operational support activities provide service for agency information systems. The enterprise architecture and ECM programs provide interoperability and integration to maintain a seamless interface for end users. Migration of business processes, such as the Digital Data Management System (DDMS), Licensing Support Network (LSN), and Electronic Hearing Docket to the new operating system for the Agencywide Documents Access and Management System (ADAMS) will continue in FY 2011. Automation of records management will begin in FY 2011 as part of ECM. These activities support the NRC goal to allow staff and stakeholders to work from anywhere.
- Information management activities provided to NRC staff and stakeholders include operation of the Public Document Room, modernization of internal and external Web sites, and compliance with the Freedom of Information Act and Privacy Act. Information security includes secure communications, policy and procedures, maintenance/services and supplies, classification management, and management of Sensitive Unclassified Non-Safeguards Information.

- Computer Security Program activities address Federal mandates and directions (e.g., FISMA, Office of Management and Budget (OMB), and NRC directives) and help achieve operational excellence in accomplishing the agency's mission of safety and security. The program includes the deployment of automated tools to support the mission and to ensure that Federally mandated and NRC-defined security requirements have been fully addressed during the development, implementation, and maintenance of the NRC's information systems.
- Disaster recovery activities provide IT services for primary and secondary mission-essential functions of the COOP and mission-critical business functions of the agency. The Disaster Recovery Plan will outline the requirements for implementing full disaster recovery capabilities. Required activities include detailed technical architecture development, consolidation of mission-essential functions, and ongoing alternative site activities (e.g., selection, design, readiness testing, failover, and recovery exercises).

SIGNIFICANT ACCOMPLISHMENTS

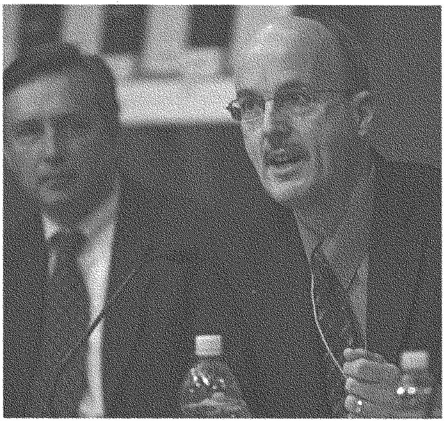
In FY 2009, the NRC completed a search of the ADAMS Publicly Available Records System for Personally Identifiable Information (PII) and took appropriate remedial actions. The NRC also revised the agency's PII Breach Notification Policy to provide credit monitoring services in high-risk PII breaches. The NRC also conducted a search of agency network shared drives to identify PII so that it could either be removed or access to it could be restricted based on the need to know.

The NRC began modernization of its public Web site by awarding three contracts. The first contract provides Content Management Services (CMS), which facilitate the management of Web content for creating, editing, and automating the approval process in order to propagate efficiently the latest content to the NRC public Web site. A second contract provides a usability assessment of the current NRC public Web site. This assessment, awarded in FY 2009, will recommend ways to improve the organization of information and the site visitor experience in navigating the site and finding information. The third contract will begin in FY 2010 to redesign the existing Web site within the new CMS environment, building upon the recommendations from the second contract.

In 2009, the NRC began the process of replacing ADAMS. Efforts to date include development of an ECM program; development of communications, user-data, and application migration plans; and establishing, prototyping, and testing the target operating system while also stabilizing the existing ADAMS infrastructure. Supporting activities include a technical assessment of the target platform to validate an incremental transition approach; planning delivery of ECM tool documentation, policies, and training; and delivery of prototype demonstrations to several key stakeholder groups. The NRC will continue acquisition planning activities for a major upgrade contract as well as support contracts to maintain critical business functions until the migration is complete.

In April 2009, the NRC doubled the agency's Internet bandwidth to support current and near-future requirements (i.e., Web browsing, Web streaming, iLearn training) and to resolve existing issues with performance degradation during peak periods. The bandwidth during normal operations is now approximately 90 megabits per second (Mbps) and will support failover in the event that one connection fails. The Internet connection at the agency's alternate site was also upgraded by a factor of 30 from 1.5 Mbps to 45 Mbps.

In May 2009, the NRC enhanced the BlackBerry infrastructure to support a maximum of 1,000 handheld devices



Executive Director for Operations, R. William Borchardt (left) and Director of the Office of Information Services, Thomas M. Boyce (right) attending an IT summit in the Microsoft Exchange environment, as planned. In addition, a BlackBerry high-availability (HA) solution has been implemented in the production environment. This solution provides a redundant BlackBerry Enterprise Server for Exchange and a SQL failover database server in the event of a hardware failure or scheduled maintenance (e.g., patching or adding hardware).

The agency hosted more than 100 vendor representatives with an interest in bidding on the FY 2010 IT Infrastructure Services and Support (ITISS) acquisition, which will replace the current Infrastructure Services and Support Contract (ISSC). Vendors received a draft statement of work in advance of an NRC-hosted Industry Day. During the event, NRC subject matter experts spoke further about the agency's requirements. Vendors submitted more than 250 questions, concerns, and suggestions to the NRC. The NRC provided the vendor community with answers to the questions and also used the questions and comments to improve the statement of work that will ultimately be provided with the request for proposal.

In FY 2009, the agency's Security Operations Center (SOC) became fully staffed and operational. The SOC coordinates activities to provide cyber security situational awareness for the agency by monitoring firewall logs, intrusion detection systems, e-mail, Internet Web traffic, and system vulnerabilities for malicious activity. The agency has deployed security tools that assist the SOC security analysts in the prevention, detection, and remediation of malicious activity.

OUTPUT MEASURES

Information Management

Information Dissemination Timeliness - Meets agency targets for key information dissemination channels, including public meeting notices, Freedom of Information Act, and documents made publicly available through ADAMS.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	New measure in FY 2009			Timeliness targets met.*	Meet 3 of 4 timeliness targets for FOIA responses, public meeting notices, and NRC documents made publicly available.*	Meet 3 of 4 timeliness targets for FOIA responses, public meeting notices, and NRC documents made publicly available.
Actual:				85.50%		

**Targets are as follows: Percentage of time the NRC responds to FOIA requests within 20 working days (75%); percentage of category 1, 2, and 3 meetings on regulatory issues for which the NRC posted a meeting notice on the public meeting notice Web site at least 10 days in advance of the meeting (90%); percentage of non-sensitive, unclassified regulatory documents generated by the NRC and sent to the agency's Document Processing Center that are released to the public by the 6th working day after the date of the document (90%); percentage of non-sensitive, unclassified regulatory documents received by the NRC that are released to the public by the 6th working day after the document is added to the ADAMS main library (90%).*

Information Technology

Percentage of the time that key IT infrastructure services are available

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:				99.50%	99.50%	99.50%
Actual:				99.60%		

System Certification and Accreditation - Percentage of major applications and general support systems that have been certified and accredited.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	New measure in FY 2009			90% of those scheduled to be accredited in FY 2009	90% of those scheduled to be accredited in FY 2010	90% of those scheduled to be accredited in FY 2011
Actual:				100%		

OMB Exhibit 300 Scores - Percentage of major IT investments that are rated as "acceptable" based on OMB's evaluation of the NRC's Exhibit 300 submittal.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	New measure in FY 2009			90%	90%	90%
Actual:				90%		

FINANCIAL MANAGEMENT

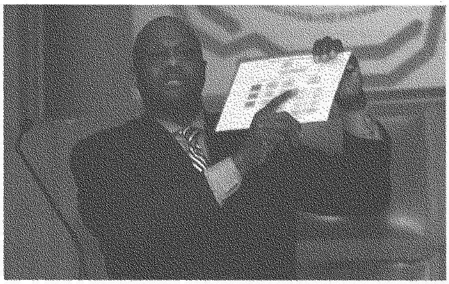
Resources in FY 2011 support the modernization of the agency's financial systems, agency planning, budgeting, accounting, current financial systems operations and activities, and acquisition of goods and services. In addition, resources provide for acquisition workforce enhancement. In FY 2011, the NRC will continue to focus on the early planning, timely monitoring, reporting, and analysis of budget execution and contracting activities. The NRC will continue to revise both budget formulation and execution processes as part of the implementation of systems modernization efforts. Also in FY 2011, the new core financial system will be upgraded to include acquisition workforce module. The implementation of the new core accounting system in FY 2011 will improve financial reporting by streaming and automating processes, improving access to financial data, and generating financial information.

SIGNIFICANT ACCOMPLISHMENTS

The NRC will build on a number of actions underway to improve financial management in the agency.

Budget Formulation and Execution: The NRC has improved the budget formulation process by using a Web-based budget formulation system, which enhanced efficiency, reduced errors compared to the previous manual process, and provided numerous reports to NRC offices based on real-time data. In addition, the budget structure was updated to facilitate the cost estimation of regulatory products and align the budget efficiently with the NRC mission and strategies. The NRC has begun a phased approach to implement the enhanced agency budget structure with this FY 2011 request. The outcome will be an improvement both to the transparency and communication of the NRC's resources, internally and externally. The timing was opportune for the agency to improve the budget structure over the next few years in preparation for the full-scale financial systems modernization effort.

Financial Systems Modernization: The NRC has begun the transition to a new core financial management system. In June 2009, the NRC began the configuration and integration phase for the new core financial system and will deliver a production-ready system by October 2010. The agency has also been working to implement an upgrade to the existing time and labor (T&L) system, which will be implemented by



Deputy Chief Financial Officer, Milton Brown, presents financial system modernization plan.

March 2010. The upgrade will provide a modern Web-enabled, user-friendly version of the existing PeopleSoft/Oracle T&L software. The NRC implemented e-Travel agencywide to improve travel operations and routine management in July 2009. Additionally, the agency upgraded the budget formulation system during FY 2009 to improve the capabilities and effectiveness of the system.

Financial Reporting: The NRC received an unqualified opinion on its FY 2009 financial statements. In FY 2009, the auditors closed a substantial noncompliance with the Federal Financial Management Improvement Act as a result of the NRC completing the certification and accreditation of the Fee Billing System. In addition, the auditors closed a significant deficiency as a result of the NRC implementing a revised methodology that more accurately estimates accounts payable. Also, in FY 2009, procedures were put in place to improve Prompt Payment Act compliance.

Internal Controls: The agency has improved and will continue to improve internal controls over programmatic operations. The agency provided an agencywide online training course for all employees, revised the risk assessment process to make it more meaningful, increased the programmatic focus, and continued efforts to update agencywide directives on internal controls.

Competitive Sourcing: One of the NRC's corporate management strategies is to acquire goods and services in an efficient manner. To achieve this, the NRC adopted a performance-based approach to contracting and posted procurement synopses on the agency's Web sites.

The NRC uploaded its 2009 Federal Activities Inventory Reform Act inventory into the OMB's Workforce Inventories Tracking System on June 30, 2009. In accordance with the NRC's Competitive Sourcing Plan, the agency completed one business case analysis as of June 2009 and will continue to look for opportunities to conduct commercial activities in the most cost-effective and efficient manner that will yield results consistent with the mission of the agency.

OUTPUT MEASURES

Meet statutory fee collection requirement.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	Achieve approximately 100% actual collections when compared with projected collections. Maintain past-due accounts receivable at 1% or less of annual billings for the fiscal year.	Achieve approximately 100% actual collections when compared with projected collections. Maintain past-due accounts receivable at 1% or less of annual billings for the fiscal year.	Achieve approximately 100% actual collections when compared with projected collections. Maintain past- due accounts receivable at 1% or less of annual billings for the fiscal year.	Achieve approximately 100% actual collections when compared with projected collections. Maintain past due accounts receivable at 1% or less of annual billings for the fiscal year.	Achieve approximately 100% actual collections when compared with projected collections. Maintain past- due accounts receivable at 1% or less of annual billings for the fiscal year.	Achieve approximately 100% actual collections when compared with projected collections. Maintain past- due accounts receivable at 1% or less of annual billings for the fiscal year.
Actual:	Target met.	Target met.	98% collected. Maintained past-due amounts receivable at less than 1% of annual billings.	98% collected. Maintained past-due amounts receivable at less than 1% of annual billings.		

Percentage of non-salary payments made electronically and accurately within established schedule.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	95%	95%	98%	98%	98%	98%
Actual:	99%	95%	99%	96%		

OMB Directed Acquisition Reform Initiative Measure: Percentage of eligible service contracting dollars (contracts over $25,000) that use performance-based contracting techniques during the fiscal year.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	Not less than 40%	Not less than 40%	Not less than 65%	Not less than 65%	Not less than 65%	Not less than 65%
Actual:	67%	67%	78%	89%		

OMB Directed Acquisition Reform Initiative Measure: Percentage of required synopses for acquisitions that are posted on the government-wide point-of-entry Website (www.FedBizOpps.gov) during the fiscal year. Synopses for acquisitions are those valued at over $25,000 for which widespread notice is required including all associated solicitations except for acquisitions covered by an exemption in the Federal Acquisition Regulation.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	100% of all required synopses	100% of all required synopses	100% of all required synopses	100% of all required synopses	100% of all required synopses	100% of all required synopses
Actual:	98%	100%	100%	100%		

OMB Directed Acquisition Reform Initiative Measure: Competitive Sourcing FY 2004. Number of business case analyses performed on commercial activities listed on the approved FAIR Act inventory and conducted in accordance with agency competitive sourcing plan. (Measure revised in FY 2004.)

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target:	3 business case analyses	3 business case analyses	3 business case analyses	3 business case analyses	3 business case analyses	3 business case analysis
Actual:	3	3	3	One reverse business case analysis was completed. *		

** Notice was provided to OMB that the agency competitive sourcing plan was revised to delete the requirement to perform a minimum of 3 BCAs annually. Additional guidance from the current administration is anticipated to clarify the future direction of the competitive sourcing program. Notification to OMB of NRC's planned change in strategy in using BCAs was issued on September 8, 2009.*

PERFORMANCE MANAGEMENT

Resources in FY 2011 will provide for better integration of budget formulation, budget execution, the NRC's Strategic Plan design, and the Chief Financial Officer's Council. In 2011 the Agency will review programmatic performance and efficiency measures to make improvements if necessary and evaluate whether changes are needed to align with the new budget structure. Specifically, the budget provides resources for the following:

- Coordination of the NRC's planning, performance measuring, monitoring, and assessing components of the Planning, Budgeting, and Performance Management process.
- Preparation of the NRC's Strategic Plan, performance plan, and performance report for submission to OMB and Congress and recommendations pertaining to the conduct of performance evaluations.
- Coordination of activities in support of the Performance Improvement Officer and the Performance Improvement Council.
- Training and certification for the Lean Six Sigma Program.

POLICY SUPPORT

Resources in FY 2011 will provide for additional policy and adjudicatory support to the Commission. Specifically, the budget provides resources for the following:

- Agency policy formulation, advice and assistance to the Commission on congressional and protocol issues, adjudicatory review, legal advice, management and oversight of agency programs, and public affairs activities leading to openness and increased public confidence.
- Independent evaluations of agency programs.

Appendix III

Verification and Validation of Performance Measures

The U.S. Nuclear Regulatory Commission (NRC) obtains or derives the majority of the data used to measure the agency's safety and security strategic goals from two sources: the NRC abnormal occurrence (AO) data and licensee-submitted reports or preliminary notifications of events.. The AO criteria have been amended to ensure that they are consistent with the NRC's Strategic Plan for Fiscal Year (FY) 2008–2013 and the NRC rulemaking on Title 10 of the Code of Federal Regulations (10 CFR) Part 35, "Medical Use of Byproduct Materials."

The NRC developed its AO criteria in order to comply with the legislative intent of Section 208 of the Energy Reorganization Act of 1974, as amended. The Act requires the NRC to inform Congress of unscheduled incidents or events that the Commission determines to be significant from the standpoint of public health and safety. The NRC includes events that meet the AO criteria in an annual "Report to Congress on Abnormal Occurrences" (NUREG-0090). In addition, in 1997, the Commission determined that events occurring at Agreement State-licensed facilities that meet the AO criteria should be reported in the annual AO report to Congress. Therefore, the AO criteria developed by the NRC are uniformly applied to events that occur at facilities licensed or otherwise regulated by the NRC and the Agreement States.

Data for AOs originate from external sources, such as Agreement States and NRC licensees. The NRC believes these data are credible because (1) the information needed from external sources is required to be reported to the NRC by regulations, (2) the NRC maintains an aggressive inspection program that, among other activities, audits licensees and evaluates Agreement State programs to determine whether information is being reported as required by the regulations, and (3) The NRC has procedures for reviewing and evaluating licensees. The NRC database systems for safety that support this process include the Licensee Event Report Search System (LER Search), the Accident Sequence Precursor (ASP) Database, the Nuclear Material Events Database (NMED), and the Radiation Exposure Information Report System. The NRC database systems for security that support this process include the Suspicious Incidents Data System.

The NRC has established procedures for systematic review and evaluation of events reported by NRC licensees and Agreement State licensees. The objective of the review is to identify events that are significant from the standpoint of public health and safety, based on criteria that include specific thresholds. The NRC uses a number of sources to determine the reliability and the technical accuracy of event information reported to the NRC. Such sources include (1) NRC licensee reports, (2) NRC inspection reports, (3) Agreement State reports, (4) periodic review of Agreement State regulatory programs, (5) NRC consultant/contractor reports, and (6) U.S. Department of Energy operating experience weekly summaries. In addition, there are daily interactions and exchanges of event information between headquarters and the regional offices, as well as periodic conference calls between headquarters, the NRC regions, and Agreement States to discuss event information. Identified events that meet the AO criteria are validated and verified by all applicable NRC headquarters program offices, regional offices, and agency management before submission to Congress.

The following performance measures have been identified for verification and validation.

GOAL 1—SAFETY

Ensure adequate protection of public health and safety and the environment.

NUCLEAR REACTOR SAFETY

Strategic Outcomes:

- Prevent the occurrence of any nuclear reactor accidents.
- Prevent the occurrence of any inadvertent criticality events.
- Prevent the occurrence of any acute radiation exposures resulting in fatalities.
- Prevent the occurrence of any releases of radioactive materials that result in significant radiation exposures.
- Prevent the occurrence of any releases of radioactive materials that cause significant adverse environmental impacts.

Performance Measure

1 - Number of new conditions evaluated as red by the NRC's Reactor Oversight Process.

Reactor Safety Target: Less than or equal to 3

Verification: The data for this performance measure are collected in two ways as part of the NRC's Reactor Oversight Process (ROP). Inspection findings are collected at least quarterly by NRC inspectors. Inspectors use formal detailed inspection procedures to review plant operations and maintenance. Inspection findings are reviewed by NRC managers to assess their significance as part of the ROP's significance determination process (SDP). The data for performance indicators is collected by licensee's and submitted to the NRC at least quarterly. The significance of the data is determined by thresholds for each indicator. Red findings indicate a finding of high safety significant. The NRC conducts inspections of licensee processes for collecting and submitting the data to ensure completeness, accuracy, consistency, timeliness, and validity.

The NRC enhances the quality of its inspections through inspector feedback and periodic reviews of results. The inspectors are trained through a rigorous qualification program. The quality of performance indicators is improved through continuous feedback from licensees and inspectors that is incorporated into guidance documents. The NRC publishes the inspection findings and performance indicators on the agency's web site and incorporates feedback received from all stakeholders, as appropriate.

Validation: The inspection findings and performance indicators used by the ROP cover a broad range of plant operations and maintenance. NRC managers review significant issues that are identified and inspectors, conduct supplemental inspections of selected aspects of plant operations as appropriate. Plants that are identified as having performance issues, as well as a self-assessment of the ROP, are reviewed by senior agency managers on an annual basis, and the results are reported to the Commission.

2 - Number of significant accident sequence precursors of a nuclear accident.

Reactor Safety Target: Zero

Verification: The NRC has an ASP program to evaluate U.S. nuclear power plant operating experience systematically to identify, document, and rank those operating events that were most significant in terms of the potential for inadequate core cooling and core damage (i.e., precursors). The ASP program evaluation process has five steps. First, the NRC screens operating experience data to identify events and conditions that may be potential precursors to a nuclear accident. The data that are evaluated include LERs from a LER Search; Incident Investigation Team or Augmented Inspection Team, reviews the NRC's daily screening of operational events, and other events identified by NRC staff as candidates. The second step is to conduct an engineering review of these screened events, using specific criteria, to identify those events requiring detailed analyses as candidate precursors. Third, the NRC staff calculates a conditional core damage probability by mapping failures observed during the event to accident sequences in risk models. Fourth, the preliminary potential precursor analyses are provided to the NRC staff and the licensee for independent peer review. However, for ASP analyses of noncontroversial, low-risk precursors in which the ASP results reasonably agree with the SDP results, formal peer reviews by licensees may not be performed. The NRC staff will continue to perform an in-house review process for all analyses. Lastly, the agency provides analysis findings to the licensee and the public.

It must also be noted that there is a time lag in obtaining ASP analysis results, since they are often based on LERs (submitted up to 60 days after an event) and most analyses take approximately 6 months to complete. Final data will be reported in the year in which the event occurred.

Validation: The ASP program identifies significant precursors as those events that have a 1/1000 (10^{-3}) or greater probability of leading to a nuclear reactor accident. Significant accident sequence precursor events have a conditional core damage probability or ΔCDP of $> 1 \times 10^{-3}$.

3 - Number of operating reactors whose integrated performance entered the Manual Chapter 0350 process, the multiple/repetitive degraded cornerstone column, or the unacceptable performance column of the ROP Action Matrix.

Reactor Safety Target: Less than or equal to 3

Verification: The data for this performance measure are collected by the NRC ROP on a continuous basis, and the information is published at least quarterly. NRC inspectors use detailed formal procedures to conduct inspections of licensee performance, and NRC managers review the results to ensure the completeness, accuracy, consistency, timeliness, and validity of the data.

The NRC enhances the quality of its inspections through inspector feedback and periodic reviews of results. The inspectors are trained through a rigorous qualification program. The quality is also improved through continuous feedback from licensees and inspectors that is incorporated into guidance documents. The NRC publishes the data on the agency's Web site and incorporates feedback received from all stakeholders, as appropriate.

Validation: The information collected by the ROP covers a broad range of plant operations and maintenance. NRC managers review significant issues that, are identified and inspectors conduct supplemental inspections of selected aspects of plant operations as appropriate. Plants that are identified as having performance issues are reviewed by senior agency managers on an annual basis, and the results are reported to the Commission. The same is true of the agency's self-assessment of the ROP.

This measure is the number of plants that have entered the Inspection Manual Chapter 0350 process, the multiple/repetitive degraded cornerstone column, or the unacceptable performance column during the fiscal year (i.e., were not in these columns or process the previous fiscal year). Data for this measure are obtained from the NRC external web Action Matrix Summary page that provides a matrix of the five columns with the plants listed within their applicable column, and notes the plants in the Inspection Manual Chapter 0350 process. For reporting purposes, plants that are the subject of an approved deviation from the Action Matrix are included in the column or process in which they appear on the Web page.

4 - Number of significant adverse trends in industry safety performance.

Reactor Safety Target: Less than or equal to 1

Verification: The data for this performance measure are derived from data supplied by all power plant licensees in LERs and from monthly operating reports, as well as performance indicator data submitted for the ROP. These data are either required by Title 10 of the Code of Federal Regulation (10 CFR) 50.73 Licensee Event Report System and/or plant-specific technical specifications, or are submitted by all plants as part of the ROP. Detailed NRC guidelines and procedures are in place to control each of these reporting processes. The NRC reviews these procedures for appropriateness, both periodically and in response to licensee feedback. The NRC also conducts periodic inspections of licensees' processes for collecting and submitting the data to ensure completeness, accuracy, consistency, timeliness, and validity.

All licensees report the data at least quarterly. The NRC staff reviews all the data and conducts inspections to verify safety-significant information. The NRC also employs a contractor to review the data submitted by licensees, input the data into a database, and compile the data into various indicators. Quality assurance processes for this work have been established and included in the statement of work for the contract. The experience and training of key personnel are controlled through administration of the contract. The contractor identifies discrepancies to both licensees and the NRC for resolution. The NRC reviews the indicators and publishes them on the agency's Web site on a quarterly basis. The agency also incorporates feedback from licensees and the public, where appropriate.

The target value is based on the expected addition of several indicators and a change in the long-term trending methodology.

Validation: The data and indicators that support reporting against this performance measure provide a broad range of information on nuclear power plant performance. The NRC staff tracks indicators and applies statistical techniques to provide an indication of whether industry performance is improving, steady, or degrading over time. If the staff identifies any adverse trends, the NRC handles the problem through its processes for addressing generic safety issues and issuing generic communications to licensees. The NRC is developing additional, risk-informed indicators to enhance the current set. In doing so, the staff considers the costs and benefits of collecting the data through ongoing, extensive interactions with industry regarding the indicators. The Industry Trends Program is reviewed by senior agency managers on an annual basis, and the results are reported to the Commission.

5 - Number of events with radiation exposures to the public and occupational workers from nuclear reactors that exceed Abnormal Occurrence Criteria I.A.

Reactor Safety Target: Zero

Verification: Licensees use the LER process to report overexposures which are then entered into a searchable database. The database is used to identify those LERs that report overexposures. NRC resident inspectors stationed at each nuclear power plant provide a high degree of assurance that all events meeting reporting criteria are reported to the NRC. In addition, the NRC conducts inspections if there is any indication that an exposure exceeded, or could have exceeded, a regulatory limit. Finally, areas of the facility that may be subject to radiation contamination have monitors that record radiation levels. These monitors would immediately reveal any instances in which high levels of radiation exposure occurred.

Validation: Given the nature of the process of using radioactive materials to generate power, overexposure to radiation is a potential danger from the operation of nuclear power plants. Such exposure to radiation in excess of the applicable regulatory limits may potentially occur through either a nuclear accident or other malfunctions at the plant. Consequently, tracking the number of overexposures that occur at nuclear reactors is an important indicator of the degree to which safety is being maintained.

6 - Number of radiological releases to the environment from nuclear reactors that exceed applicable regulatory limits.

Reactor Safety Target: Zero

Verification: As with worker overexposures, licensees report environmental releases of radioactive materials that are in excess of regulations or license conditions through the LER process, which are then entered into a searchable database. The database is used to identify those LERs reporting releases, and the number of reported releases is then applied to this measure. The NRC also conducts periodic inspections of licensees to ensure that they properly monitor and control releases to the environment through effluent pathways. In addition, onsite monitors would record any instances in which the plant releases radiation into the environment. If the inspections or the monitors reveal any indication that an accident or inadvertent release has occurred, the NRC conducts follow up inspections.

Validation: The generation of nuclear power creates radioactive materials that are released into the environment in a controlled manner. These radioactive discharges are subject to regulatory controls that limit the amount discharged and the resultant dose to members of the public. Consequently, the NRC tracks all releases of radioactive materials in excess of regulatory limits as a performance measure, as such large releases have the potential to endanger public safety or harm the environment. The NRC inspects every nuclear power plant for compliance with regulatory requirements and specific license conditions related to radiological effluent releases. The inspection program includes enforcement actions to be taken for violations of the regulations or license conditions, based on the severity of the event.

This performance measure includes dose values that are classified as being as low as reasonably achievable (ALARA), contained in Appendix I to 10 CFR Part 50 as well as the public dose limits contained in 10 CFR Part 20. Because the performance measure includes ALARA values, which are not safety limits, and because Appendix I to 10 CFR Part 50 allows licensees to temporarily exceed the ALARA dose values for good reason, the performance measure is set to 2.

NUCLEAR MATERIAL AND WASTE SAFETY

Strategic Outcomes:

- Prevent the occurrence of any inadvertent criticality events.
- Prevent the occurrence of any acute radiation exposures resulting in fatalities.
- Prevent the occurrence of any releases of radioactive materials that result in significant radiation exposures.
- Prevent the occurrence of any releases of radioactive materials that cause significant adverse environmental impacts.

Performance Measures:

1 - Number of events with radiation exposures to the public or occupational workers from radioactive material that exceed Abnormal Occurrence Criteria I.A.

Materials Safety Target: Less than or equal to 2

Waste Safety Target: Zero

Verification: This performance measure includes any event involving licensed radioactive materials that results in significant radiation exposures to the public or occupational workers that exceed the dose limits in the AO reporting criteria. Because of the extremely high doses employed during medical applications of radioactive materials, it is also appropriate to use a radiation exposure that results in unintended permanent functional damage to an organ or a physiological system, as determined by a physician, as a criterion for this measure. AO Criterion I.A is used as the basis for this measure.

Should an event meeting this threshold occur, it would be reported to the NRC and/or Agreement States through a number of sources, but primarily through required licensee notifications. These events are summarized in event notifications and preliminary notifications, which are used to widely disseminate the information to internal and external stakeholders.

The operating fuel facilities, new fuel facilities, materials users, high-level waste repository, decommissioning and low-level waste, and spent fuel storage and transportation programs contain elements that verify the completeness and accuracy of licensee reports. The Integrated Material Performance Evaluation program (IMPEP) also provides a mechanism to verify that Agreement States and NRC regions are consistently collecting and reporting such events as received from the licensees and entering them into the NMED.

The NRC has taken a number of steps to improve the timeliness and completeness of materials event data. These steps include assessment of the NMED data during monthly staff reviews; emphasis and analysis of NMED data during the IMPEP reviews; NMED training in Headquarters, the regions, and Agreement States; and discussions at all Agreement State and Conference of Radiation Control Program Directors (CRCPD) meetings.

Validation: There is a logical basis for using events involving radiation exposures to the public and occupational workers from radioactive material that exceed AO Criterion I.A., as a performance measure for ensuring the protection of public health and safety. An event is considered an AO if it is determined to be significant from the standpoint of public health or safety. The NRC's regulatory process, including licensing, inspection, guidance, regulations, and enforcement activities, is designed to mitigate the likelihood of an event that would exceed AO Criterion I.A.

Events of this magnitude are rare. In the unlikely event that an AO should occur, the NRC or Agreement State technical specialists will confirm whether the criteria were met, with input provided by expert consultants, as necessary.

The NRC does not use statistical sampling of data to determine results. Rather, all event data are reviewed to determine if the performance measure has been met. There are two important data limitations in determining this performance measure. These include delay time for receiving information and/or the failure of NRC to become aware of an event that causes significant radiation exposures to the public or occupational workers. Although the Office of Nuclear Materials Safety and Safeguards (NMSS) and the Office of Federal Sate materials and Environmental Management program (FSME) procedures and NRC regulations associated with event reporting include specific requirements for timely notifications, there is a lag time separating the occurrence of an event and the known consequences of an event. The NRC believes the probability of not being aware of an event that causes significant radiation exposures to the public or occupational workers is very small. Periodic licensee inspections and regulatory reporting requirements are sufficient to ensure that an event of this magnitude would become known. If such an event occurred, it would result in a prompt and thorough investigation of the event, its consequences, its root causes, and the necessary actions by the licensee and the NRC to mitigate the situation and prevent recurrence. In addition to these immediate actions, the NRC holds periodic meetings, where staff and management validate the occurrence of these events.

2 - Number of radiological releases to the environment that exceed applicable regulatory limits.

Materials Safety Target: Less than or equal to 2

Waste Safety Target: Zero

Verification: This performance measure is defined as any release to the environment from the following activities: operating fuel facilities, new fuel facilities, materials users, high-level waste repository, decommissioning and low level-waste, and spent fuel storage and transportation activities that exceed applicable regulations as defined in 10 CFR 20.2203(a)(3). A 30-day written report is required on such releases.

Should an event meeting this threshold occur, it would be reported to the NRC and/or Agreement States through a number of sources, but primarily through required licensee notifications. These events are summarized in event notifications and preliminary notifications, which are used to widely disseminate the information to internal and external stakeholders.

The operating fuel facilities, new fuel facilities, materials users, high-level waste repository, decommissioning and low-level waste, and spent fuel storage and transportation programs contain elements that verify the completeness and accuracy of licensee reports. The IMPEP also provides a mechanism to verify that Agreement States and NRC Regions are consistently collecting and reporting such events, as received from the licensees, and entering them into the NMED.

The NRC has taken a number of steps to improve the timeliness and completeness of materials event data. These steps include assessment of the NMED data during monthly staff reviews; emphasis and analysis on NMED data during the IMPEP review; NMED training in Headquarters, the NRC Regions, and Agreement States; and discussions at all Agreement State and CRCPD meetings.

Validation: The regulations in 10 CFR Part 20 provides standards for protection against radiation. There is a logical basis for tracking releases subject to the 30-day reporting requirement under 10 CFR 20.2203(a) (3) (ii) as a performance measure for ensuring the protection of the environment. The NRC's regulatory process, including licensing, inspection, guidance, regulations, and enforcement activities, is sufficient to ensure that releases of radioactive materials that exceed regulatory limits are infrequent.

In the unlikely event that a release to the environment exceeds regulatory limits, the NRC or Agreement State technical specialists will determine whether the criteria were met, with input provided by expert consultants, as necessary.

The NRC does not look at statistical sampling of data to determine results. Rather, the agency reviews all event data to determine if the performance measure has been met. There are two important data limitations in determining this performance measure. These include delay time for receiving information and/or the failure of NRC to become aware of an event that causes environmental impacts. Although NMSS and FSME procedures and NRC regulations associated with event reporting include specific requirements for timely notifications, there is a lag time separating the occurrence of an event and the known consequences of an event.

The NRC believes the probability of not being aware of an event that causes a radiological release to the environment that exceeds applicable regulations is very small. Periodic licensee inspections and regulatory reporting requirements are sufficient to ensure that an event of this magnitude would become known.

If such an event occurred, it would result in a prompt and thorough investigation of the event, its consequences, its root causes, and the necessary actions by the licensee and the NRC to mitigate the situation and prevent recurrence. In addition to these immediate actions, the NRC holds periodic meetings, where staff and management validate the occurrence of these events.

GOAL 2—SECURITY

Ensure the secure use and management of radioactive materials.

NUCLEAR REACTOR AND NUCLEAR MATERIALS AND WASTE SECURITY

Strategic Outcome

- Prevent any instances where licensed radioactive materials are used domestically in a manner hostile to the security of the United States.

Performance Measures

1 - Number of unrecovered losses or thefts of risk-significant radioactive sources.

Target: Zero

Under AO Criterion I.C.1, the agency counts any unrecovered lost, stolen, or abandoned sources that exceed the values listed in Appendix P, "Category 1 and 2 Radioactive Material," to 10 CFR Part 110, "Export and Import of Nuclear Equipment and Material." Excluded from reporting under this criterion are those events involving sources that are lost, stolen, or abandoned under certain conditions, specifically (1) sources abandoned in accordance with the requirements of 10 CFR 39.77(c), (2) sealed sources contained in labeled, rugged source housings, (3) recovered sources with sufficient indication that doses in excess of the reporting thresholds specified in AO Criteria I.A.1 and I.A.2 did not occur during the time the source was missing, (4) unrecoverable sources lost under such conditions that doses in excess of the reporting thresholds specified in AO Criteria I.A.1 and I.A.2 were not known to have occurred, and (5) other sources that are lost or abandoned and declared unrecoverable, for which the agency has determined that the risk significance of the source is low, based on the location (e.g., water depth) or physical characteristics (e.g., half life, housing) of the source and its surroundings, where all reasonable efforts have been made to recover the source and where it has been determined that the source is not recoverable and would not be considered a realistic safety or security risk under this measure.

Verification: Losses or thefts of radioactive materials greater than or equal to 1,000 times the quantity specified in Appendix

C, "Quantities of Licensed Material Requiring Labeling," to 10 CFR Part 20 must be reported (per 10 CFR 20.2201(a)) by telephone to the NRC Headquarters Operations Center or to Agreement State immediately (interpreted as within 4 hours) if the licensee believes that an exposure could result to persons in unrestricted areas. If an event meeting the thresholds described above occurs, it would be reported through a number of sources, but primarily through this required licensee notification. Events that are publicly available are then entered and tracked in NMED. Separate methods are used to track events that are not publicly available. Additionally, licensees must meet the reporting and accounting requirements in 10 CFR Part 73, "Physical Protection of Plants and Materials," and 10 CFR Part 74, "Material Control and Accounting of Special Nuclear Material."

The NRC's inspection programs are key elements in verifying the completeness and accuracy of licensee reports. The IMPEP also provides a mechanism to verify that Agreement States and the NRC Regions are consistently collecting and reporting such events as received from the licensees and are entering these events in the NMED. In some cases, upon receiving a report, the NRC or Agreement State initiates an independent investigation that verifies the reliability and accuracy of the reported information.

The regulation in 10 CFR 20.2201(b) requires a 30-day written report for lost or stolen sources that are greater than or equal to 10 times the quantity specified in Appendix C to 10 CFR Part 20 if the source is still missing at that time. In addition, 10 CFR 20.2201(d) requires an additional written report within 30 days of a licensee learning any additional substantive information. The NRC interprets this requirement as including reporting the recovery of sources.

The NRC issued guidance in the form of a regulatory information summary (RIS 2005-21) to clarify the current 10 CFR 20.2201(d) requirement for reporting the recovery of a risk-significant source. FSME asked the Agreement States to send copies of the RIS (or equivalent document) to their licensees. The NRC issued the National Source Tracking System final rule in November 2006. On January 31, 2009, NRC licensees and Agreement State licensees were required to begin reporting information on source transactions to the National Source Tracking System. Implementation of this system creates an inventory of risk-significant sources. This rulemaking established reporting requirements for risk-significant sources (including reporting timeframes) by adding specific requirements to 10 CFR 20.2201, "Reports of Theft or Loss of Licensed Material," for risk-significant sources, including a requirement for licensees to report the recovery of a risk-significant source within 30 days.

Validation: Events collected under this performance measure are actual losses, thefts, or diversions of materials described above. Such events could compromise public health and safety, the environment, and the common defense and security. Events of this magnitude are expected to be rare. The information reported under 10 CFR Part 73 and 10 CFR Part 74 is required so that the NRC is aware of events that could endanger public health and safety or national security. Any failures at the level of the Strategic Plan would result in immediate investigation and follow up.

If an event subject to the reporting requirements described above occurs, it would result in a prompt and thorough investigation of the event, its consequences, its root causes, and the necessary actions by the licensee, the NRC, and/or an Agreement State to mitigate the situation and prevent recurrence.

2 - Number of substantiated cases of actual theft or diversion of licensed risk-significant radioactive sources or a formula quantity of special nuclear material or act that results in radiological sabotage.

Target: Zero

Verification: In AO Criterion I.C.2, "substantiated" means a situation that requires additional action by the agency or other proper authorities because of an indication of loss, theft, or unlawful diversion such as an allegation of diversion, report of lost or stolen material, statistical processing difference, or other indication of loss of material control or accountability that cannot be refuted following an investigation. A formula quantity of special nuclear material is defined in 10 CFR 70.4, "Definitions." Radiological sabotage is defined in 10 CFR 73.2, "Definitions." Licensees subject to the requirements of 10 CFR Part 73 must call the NRC within 1 hour of an occurrence to report any breaches of security or other event that may potentially lead to theft or diversion of material or to sabotage at a nuclear facility. The NRC's safeguards requirements are described in 10 CFR 73.71, "Reporting of Safeguards Events"; Appendix G, "Reportable Safeguards Events," to 10 CFR Part 73; and 10 CFR 74.11, "Reports of Loss or Theft or Attempted Theft or Unauthorized Production of Special Nuclear Material." The information assessment team, composed of NRC Headquarters and regional staff members, would conduct an immediate assessment for any significant events to determine any further actions that are needed, including coordination with the intelligence community and law enforcement. In accordance with 10 CFR 73.71(d), the licensee must also file a written report within 60 days of the incident, describing the event and the steps that the licensee took to protect the nuclear facility. This information will enable the NRC to adequately assess whether radiological sabotage has occurred.

Validation: Events subject to reporting requirements are those that endanger public health and safety and the environment through deliberate acts of theft or diversion of materials or through sabotage directed against the nuclear facilities that the agency licenses. Events of this type are extremely rare. If such an event occurs, it would result in a prompt and thorough investigation of the event, its consequences, its root causes, and the necessary actions by the licensee and/or the NRC to mitigate the situation and prevent recurrence. The investigation ensures the validity of the information and assesses the significance of the event.

3 - Number of substantiated losses of a formula quantity of special nuclear material or substantiated inventory discrepancies of a formula quantity of special nuclear material that are judged to be caused by theft or diversion or substantial breakdown of the accountability.

Target: Zero

Verification: Licensees must record events associated with AO Criterion I.C.3 within 24 hours of the identified event in a safeguards log maintained by the licensee. The licensee must retain the log as a record for 3 years after the last entry is made or until termination of the license. The NRC relies on its safeguards inspection program to ensure the reliability of recorded data. The NRC determines whether a substantiated breakdown has resulted in a vulnerability to radiological sabotage, theft, diversion, or unauthorized enrichment of special nuclear materials. When making substantiated breakdown determinations, the NRC evaluates the materials event data to ensure that licensees are reporting and collecting the proper event data.

Validation: "Substantiated" means a situation that requires additional action by the agency or other proper authorities because of an indication of loss, theft, or unlawful diversion such as an allegation of diversion, report of lost or stolen material, statistical processing difference, other system breakdown closely related to the material control and accounting program (e.g. an item control system associated with the licensee's facility information technology system), or other indication of loss of material control or accountability that cannot be refuted following an investigation. A formula quantity of special nuclear materials is defined in 10 CFR 70.4. Events collected under this performance measure may indicate a vulnerability to radiological sabotage, theft, diversion, or loss of special nuclear materials. Such events could compromise public health and safety, the environment, and the common defense and security. The NRC relies on its safeguards inspection program to help validate the reliability of recorded data and determine whether a breakdown of a physical protection or material control and accounting system has actually resulted in vulnerability.

4 - Number of substantial breakdowns of physical security or material control (i.e., access control containment or accountability systems) that significantly weaken the protection against theft, diversion, or sabotage.

Target: Zero

Verification: The AO Criterion I.C.4, a "substantial breakdown" is defined as a red finding in the security cornerstone of the ROP or significant performance problems and/or operational events resulting in a determination of overall unacceptable performance or in a shutdown condition (inimical to the effective functioning of the Nation's critical infrastructure). Radiological sabotage is defined in 10 CFR 73.2. Licensees are required to report to the NRC, immediately after the occurrence becomes known, any known breakdowns of physical security, based on the requirements in 10 CFR 73.71 and Appendix G to 10 CFR Part 73. If a licensee reports such an event, the Headquarters Operations Officer prepares an official record of the initial event report. The NRC begins responding to such an event immediately upon notification, with the activation of its information assessment team. A licensee must follow its initial telephone notification with a written report submitted to the NRC within 30 days.

The licensee records breakdowns of physical protection resulting in a vulnerability to radiological sabotage, theft, diversion, or loss of special nuclear materials or radioactive waste within 24 hours in a safeguards log maintained by the licensee. The licensee must retain the log as a record for 3 years after the last entry is made or until termination of the license. Licensees subject to 10 CFR Part 73 must also meet the reporting requirements detailed in 10 CFR 73.71. The NRC evaluates all of the reported events based on the criteria in 10 CFR 73.71 and Appendix G to 10 CFR Part 73. The NRC also maintains and relies on its safeguards inspection program to ensure the reliability of recorded and reported data.

Validation: Events assessed under this performance measure are those that threaten nuclear activities by deliberate acts, such as radiological sabotage, directed against facilities. If a licensee reports such an event, the information assessment team evaluates and validates the initial report and determines any further actions that may be necessary. Tracking breakdowns of physical security indicates whether the licensee is taking the necessary security precautions to protect the public, given the potential consequences of a nuclear accident attributable to sabotage or the inappropriate use of nuclear materials either in this country or abroad.

Events collected under this performance measure may indicate a vulnerability to radiological sabotage, theft, diversion, or loss of special nuclear materials or radioactive waste. Such events could compromise public health and safety, the environment, and the common defense and security. The NRC relies on its safeguards inspection program to help validate the reliability of recorded data and determine whether a breakdown of a physical protection or material control and accounting system has actually resulted in vulnerability.

5 - Number of significant unauthorized disclosures of classified and/or safeguards information.

Target: Zero

Verification: With regard to AO Criterion I.C.5, any alleged or suspected violations by NRC licensees of the Atomic Energy Act, Espionage Act, or other Federal statutes related to classified or safeguards information must be reported to the NRC under the requirements of 10 CFR 95.57(a) (for classified information), 10 CFR Part 73 (for Safeguards Information), and NRC orders (for Safeguards Information subject to modified handling requirements). However, for performance reporting, the NRC would only count those disclosures or compromises that actually cause damage to the national security or to public health and safety. Such events would be reported to the cognizant security agency (i.e., the security agency with jurisdiction) and the regional administrator of the appropriate NRC regional office, as listed in Appendix A, "U.S. Nuclear Regulatory Commission Offices and Classified Mailing Addresses," to 10 CFR Part 73. The regional administrator would then contact the Division of Security Operations at NRC Headquarters, which would assess the violation and notify other NRC offices and other government agencies, as appropriate. A determination would be made as to whether the compromise damaged national security or public health and safety. Any unauthorized disclosures or compromises of classified or safeguards information that damaged national security or public health and safety would result in immediate investigation and follow up by the NRC. In addition, NRC inspections will verify that licensees' routine handling of classified and safeguards information (including Safeguards Information subject to modified handling requirements) conforms to established security information management requirements.

Any alleged or suspected violations of this performance measure by NRC employees, contractors, or other personnel would be reported, in accordance with NRC procedures, to the Director of Division of Facilities and Security at NRC Headquarters. The NRC maintains a strong system of controls over national security and Safeguards Information, including (1) annual required training for all employees, (2) safe and secure document storage, and (3) physical access control in the form of guards and badged access.

Validation: Events collected under this performance measure are unauthorized disclosures of classified or safeguards information that damage national security or public health and safety. Events of this magnitude are not expected and would be rare. If such an event occurs, it would result in a prompt and thorough investigation, including consequences, root causes, and necessary actions by the licensees and the NRC to mitigate the consequences and prevent recurrence. NRC investigation teams also validate the materials event data to ensure that licensees are reporting and collecting the proper event data.

Appendix IV

Report on Drug Testing

Congress and the U.S. Department of Health and Human Services (DHHS) initially approved the Nuclear Regulatory Commission's (NRC's) drug testing program in August 1988, and the agency subsequently updated the program in November 1997. The program was revised again and received approval from DHHS on August 23, 2007. The NRC's drug testing requirements for the nuclear industry, as imposed by agency regulations, are separate and distinct from this program and are not covered by this report. The NRC's drug testing program under Executive Order (E.O.) 12564 includes random, applicant, voluntary, followup, reasonable suspicion, and accident-related drug testing. Testing was initiated for non-bargaining unit employees in November 1988 and for bargaining unit employees in December 1990, after an agreement was negotiated with the National Treasury Employees Union. On August 25, 2008, NRC's testing program was expanded to include all NRC positions as testing designated and thereby all employees became subject to random drug testing.

During Fiscal Year (FY) 2009, the NRC conducted approximately 2,500 tests of all types between October 1, 2008 and September 30, 2009. There were two positive drug test results, one for marijuana and one for cocaine. The employee who tested positive for marijuana resigned. The employee who tested positive for cocaine completed an intensive outpatient treatment program on October 27, 2009.

The NRC also completed internal quality control reviews during the past year to ensure that the agency's program continues to be administered in a fair, confidential, and effective manner.

The NRC's drug testing program is based on the principles and guidance provided through E.O. 12564, Public Law 100-71, DHHS guidelines, and Commission decisions.

Appendix V

Reimbursable Work Agreements

The Nuclear Regulatory Commission (NRC) performs services for other Federal agencies and non-Federal organizations on a reimbursable basis. Reimbursable work performed by the NRC is financed with funds of the ordering organization and represents additional funding in excess of the NRC's directly appropriated funds.

SUMMARY OF REIMBURSABLE WORK AGREEMENTS*
(New Budget Authority Dollars)

	FY 2009	FY 2010 (Estimate)	FY 2011 (Estimate)
INTERNATIONAL ASSISTANCE TO FOREIGN GOVERNMENTS AND ORGANIZATIONS			
International Invitational Travel (IAEA & various foreign Governments and international organizations)	92,000	100,000	100,000
Nuclear Safety Initiatives for the New Independent States (USAID)	1,417,000	1,050,000	750,000
Invitational Travel–American Institute for Taiwan	15,000	16,000	18,000
ADMINISTRATIVE AGREEMENTS			
Criminal History Program (Licensees)	2,846,000	2,400,000	2,500,000
Material Access Authorization Program (Licensees)	0	0	0
Information Access Authorization Program (Licensees)	803,000	901,000	901,000
Employee Details to Domestic Nuclear Detection Office (DHS)	326,000	266,000	180,000
Employee Detail to National Counterterrorism Center (NCTC)	166,000	184,000	190,000
OTHER AGREEMENTS			
Mars Science Laboratory Mission (NASA)	25,000	50,000	15,000
Office of Safety and Mission Assurance (OSMA) PRA Study (NASA)	0	20,000	10,000
Foreign Cooperative Research Agreements (Multiple)	2,015,000	1,396,000	1,406,000
Advanced Fuel Cycle Initiative (DOE)	650,000	650,000	0
Review/Approval of Selected Foreign Certificates for Packages (Casks) (DOE)	180,000	350,000	350,000
Route Reviews (DOE)	0	10,000	10,000
Navy Reviews (U.S. Navy)	10,000	10,000	10,000
Gerald R. Ford Class Aircraft Carrier Safety Review (DOE)	25,000	130,000	21,000
Waste Actions for Hanford (DOE)	0	800,000	550,000
Waste Review for West Valley (DOE)	150,000	0	0
NGNP Cooperative Activities (DOE)	4,255,000	3,500,000	3,500,000

SUMMARY OF REIMBURSABLE WORK AGREEMENTS* (New Budget Authority Dollars)	FY 2009	FY 2010 (Estimate)	FY 2011 (Estimate)
Joint Funding of ICRP Activities (EPA)	15,000	15,000	15,000
TOTAL	**$12,990,000**	**$11,848,000**	**$10,526,000**

**Does not include classified reimbursable work agreements*

Appendix VI
Estimated Fees

Assuming a full appropriation of the FY 2011 requested budget, the projected impact on fees are shown below.

NRC BUDGET AND FEE RECOVERY AMOUNTS
(Dollars in Millions)

	FY 2009 Final Fee Rule[4]	FY 2010 Projection[5,6]	FY 2011 Projection[5]
Total Appropriation[1]	1,045.5	1,066.9	1,053.6
Less Non-Fee Items[2]	**($78.1)**	**($53.3)**	**($36.6)**
Base	967.4	1,013.6	1,017.0
Fee Recovery Rate - 90% of Base	870.6	912.2	915.3
Billing & Carryover Adjustments[3]	**($4.1)**	**($4.1)**	**($4.1)**
Amount to be Recovered through Fees	866.5	908.1	911.2
Estimated 10 CFR 170 Fees	333.9	349.9	351.1
Percent of total recovered amount	**38.5%**	**38.5%**	**38.5%**
Estimated 10 CFR 171 Annual Fees	532.6	558.2	560.1
Percent of total recovered amount	**61.5%**	**61.5%**	**61.5%**

1 Includes both Salaries and Expenses Appropriation and Inspector General Appropriation

2 Non-Fee Items:

Nuclear Waste Fund (NWF)	49.0	29.0	10.0
Waste Incidental to Reprocessing (WIR)	2.0	2.1	0.5
Generic Homeland Security	27.1	22.2	26.1
Total Non-Fee Items	**$78.1**	**$53.3**	**$36.6**

3 Includes estimated unpaid invoices and payments of prior year invoices

4 Published in the Federal Register (74 FR 27641; June 10, 2009)

5 Assuming same rate as FY 2009 for Adjustments and split between 10 CFR 170 and 171

6 Based on FY 2010 Appropriation

Appendix VII

Goals, Performance Measures, and Program Crosswalk

Appendix IIV

Goals, Performance Measures, and Program Crosswalk

The following table shows the relationship between the agency's goals, performance measures, and its nine business lines. For example, the strategic outcome of "prevent the occurrence of any nuclear reactor accidents" relates to are the New Reactors and Operating Reactors business lines. The strategic outcome of "prevent the occurrence of any inadvertent criticality events" relates to all of the agency's business lines. Each program evaluates event reports and other pertinent data" to report the results for each strategic outcome, performance measure, and output measure. For each output measure, the specific product line involved is identified in the tables located on the following pages.

Goals, Performance Measure, and Program Crosswalk - Safety

Measures	NRC Business Lines								
	New Reactors	Operating Reactors	New Fuel Facilities	Operating Fuel Facilities	Nuclear Materials Users	Integrated Spent Fuel Management	High-Level Waste	Decomm. & Low-Level Waste	Spent Fuel Storage & Transport.
Strategic Outcomes									
Prevent the occurrence of any nuclear reactor accidents.	x	x	x						
Prevent the occurrence of any inadvertent criticality events.	x	x	x	x	x	x	x	x	x
Prevent the occurrence of any acute radiation exposures resulting in fatalities.	x	x	x	x	x	x	x	x	x
Prevent the occurrence of any releases of radioactive materials that result in significant radiation exposures.	x	x	x	x	x	x	x	x	x
Prevent the occurrence of any releases of radioactive materials that cause significant adverse environmental impacts.	x	x	x	x	x	x	x	x	x
Performance Measures									
Number of new conditions evaluated as red by the NRC's reactor oversight process.		x							
Number of significant accident sequence precursors (ASPs) of a nuclear reactor accident.		x							
Number of significant adverse trends in industry safety performance.		x							
Number of events with radiation exposures to the public or occupational workers that exceed Abnormal Occurrence Criterion I.A.	x	x	x	x	x		x	x	x
Number of radiological releases to the environment that exceed applicable regulatory limits.	x	x	x	x	x		x	x	x
Output Measures									
Review early site permit applications on the schedules negotiated with the applicants.	Licensing								
Review design certification applications on the schedules negotiated with the applicants.	Licensing								

Goals, Performance Measure, and Program Crosswalk: - Safety

Measures	NRC Business Lines								
	New Reactors	Operating Reactors	New Fuel Facilities	Operating Fuel Facilities	Nuclear Materials Users	Integrated Spent Fuel Management	High-Level Waste	Decomm. & Low-Level Waste	Spent Fuel Storage & Transport.
Review combined license (COL) applications on the schedules negotiated with the applicants.	Licensing								
Licensing actions completed per year.		Licensing							
Age of licensing action inventory, except for license renewal and ISTS conversions.		Licensing							
Other licensing tasks completed per year.		Licensing							
Age of Other Licensing Task Inventory.		Licensing							
Acceptable technical quality of agency research technical products.		Research							
Efficiency measure: Transitioning from hard-copy distribution of outgoing licensee correspondence to electronic distribution		Licensing							
Completion of license renewal application reviews.		Licensing							
Number of plants for which the baseline inspection program was completed during the most recently ended inspection cycle.		Oversight							
Timeliness of Significance Determination Process (SDP) evaluations.		Oversight							
Number of operator licensing examinations administered.		Licensing							
Time to complete reviews of technical allegations.		Oversight							
Timeliness in completing enforcement actions.		Oversight							
Reactor investigations output measures: Timeliness in completing investigations - Target 1.		Oversight							
Emergency Response Performance Index	Event Response								

Goals, Performance Measure, and Program Crosswalk: - Safety

Measures	NRC Business Lines								
	New Reactors	Operating Reactors	New Fuel Facilities	Operating Fuel Facilities	Nuclear Materials Users	Integrated Spent Fuel Management	High-Level Waste	Decomm. & Low-Level Waste	Spent Fuel Storage & Transport.
Timeliness of fuel cycle licensing actions (amendments, renewals, new applications, and reviews) from the date of acceptance (for licensing actions received after October 1, 2000).				Licensing					
Timeliness of Safety and Safeguards inspection modules.				Oversight					
Safety and safeguards inspection module.				Oversight					
Timeliness in completing reviews for technical allegations.				Oversight					
Timeliness of licensing actions- review of application for new materials licenses and license amendments.…					Licensing				
Timeliness of licensing actions - reviews of application for materials license renewals and sealed source and device designs.					Licensing				
Timeliness of safety inspections of materials licensees					Oversight				
Timeliness in completing investigations - Target 2.					Oversight				
Timeliness in completing enforcement actions.					Oversight				
Timeliness in completing reviews for technical allegations					Oversight				
Percentage of Materials and Waste rulemakings completed on schedule.					Rulemaking				
Issuances of NRC import/export authorizations.					International Activities				
Clean-up complex materials, fuel cycle sites, and power reactors; complete uranium recovery licensing actions.								Licensing	
Support program licensing activities by preparing and/or reviewing required environmental reports.								Licensing	

Goals, Performance Measure, and Program Crosswalk: - Safety

Measures	NRC Business Lines								
	New Reactors	Operating Reactors	New Fuel Facilities	Operating Fuel Facilities	Nuclear Materials Users	Integrated Spent Fuel Management	High-Level Waste	Decomm. & Low-Level Waste	Spent Fuel Storage & Transport.
DOE waste incidental to reprocessing (WIR) reviews completed.								Licensing	
Complete transportation container design reviews within timeliness goals.									Licensing
Complete storage container and installation design reviews within timeliness goals.									Licensing
Number of inspections completed.									Oversight
Develop risk-informing standard review plans and incorporating applicable Interim staff guidance documents.									Rulemaking
Timeliness of completing actions on critical research programs.									Research
Acceptable technical quality of agency research technical products.									Research

Goals, Performance Measure, and Program Crosswalk: - Security

Measures	NRC Business Lines								
	New Reactors	Operating Reactors	New Fuel Facilities	Operating Fuel Facilities	Materials Users	Integrated Spent Fuel	High-Level Waste	Decomm. & Low-Level Waste	Spent Fuel Storage & Transport.
Strategic Outcomes									
No instances where licensed radioactive materials are used domestically in a manner hostile to the security of the United States.	x	x	x	x	x	x	x	x	x
Performance Measures									
Unrecovered losses of risk-significant radioactive sources.	x	x	x	x	x	x	x	x	x
Number of substantiated cases of actual theft or diversion of licensed, risk-significant radioactive sources or formula quantities of special nuclear material; or attacks that result in radiological sabotage.	x	x	x	x	x	x	x	x	x
Number of substantiated losses of formula quantities of special nuclear material or substantiated inventory discrepancies of formula quantities of special nuclear material that are judged to be caused by theft or diversion or by substantial breakdown of the accountability system.	x	x	x	x	x	x	x	x	x
Number of substantial breakdowns of physical security or material control (i.e., access control, containment, or accountability systems) that significantly weakened the protection against theft, diversion, or sabotage.	x	x	x	x	x	x	x	x	x
Number of significant unauthorized disclosures of classified and/ or safeguards information.	x	x	x	x	x	x	x	x	x

Endnotes

1. This measure is the number of new red inspection findings during the fiscal year plus the number of new red performance indicators during the fiscal year. Programmatic issues at multiunit sites that result in red findings for each individual unit are considered separate conditions for purposes of reporting for this measure. A red performance indicator and a red inspection finding related to an issue with the same underlying causes are also considered separate conditions for purposes of reporting for this measure. Red inspection findings are included in the fiscal year in which the final significance determination was made. Red performance indicators are included in the fiscal year in which Reactor Oversight Process external Web page was updated to show the red indicator.

2. Significant accident sequence precursor (ASP) events have a conditional core damage probability (CCDP) or ΔCDP of > 1x 10^{-3}. Such events have a 1/1000 (10^{-3}) or greater probability of leading to a reactor accident involving core damage. An identical condition affecting more than one plant is counted as a single ASP event if a single accident initiator would have resulted in a single reactor accident. One event was identified in FY 2002 as having the potential of being a significant precursor. This precursor involved reactor pressure vessel head degradation at Davis-Besse. The detailed ASP Program preliminary analysis of this complex event was completed in September 2004. Based on the screening and engineering evaluation of FY 2002, FY 2003, and FY 2004 events, no other potentially significant precursors were identified. Therefore, the second performance measure was not exceeded for FY 2002, FY 2003, and FY 2004.

3. This measure is the number of plants that have entered the Inspection Manual Chapter 0350 process, the multiple/repetitive degraded cornerstone column, or the unacceptable performance column during the fiscal year (i.e., were not in these columns or process the previous fiscal year). Data for this measure is obtained from the NRC external web Action Matrix Summary page, that provides a matrix of the five columns with the plants listed within their applicable column, and notes the plants in the Inspection Manual Chapter 0350 process. For reporting purposes, plants that are the subject of an approved deviation from the Action Matrix are included in the column or process in which they appear on the Web page. The target value is set based on the expected addition of several indicators and a change in the long-term trending methodology (which will no longer be influenced by the earlier data and will be more sensitive to changes in current performance).

4. Considering all indicators qualified for use in reporting.

5. Beginning in FY 2005, this measure is based upon Abnormal Occurrence Criterion 1.A. Prior to FY 2005, the criterion was based upon a higher threshold of significant functional damage to organs or physiological systems. Using the pre-FY 2005 criterion, NRC reported zero events through FY 2004. However, it should be noted that if the FY 2005 performance measure, based upon Abnormal Occurrence Criterion 1.A., had been in place in FY 2003, two materials events would have been reported for that fiscal year.

6. Releases for which a 30-day report requirement under Title 10 of the Code of Federal Regulations (10 CFR) 20.2203(a)(3) applies.

7. With no event exceeding AO Criterion 1.B.1.

8. "Risk-significant" is defined as any unrecovered lost or abandoned sources that exceed the values listed in "Appendix P to 10 CFR Part 110--High Risk Radioactive Material, Category 2." For excluded reporting under this criteria, see Verification and Validation for Security Performance Measure 1.

9. "Substantiated" means a situation where an indication of loss, theft, or unlawful diversion, such as: an allegation of diversion, report of lost or stolen material, statistical processing difference, or other indication of loss of material control or accountability, cannot be refuted following an investigation; and requires further action on the part of the agency or other proper authorities.

10. A "formula quantity of special nuclear material" is defined in 10 CFR 70.4, "Definitions."

11. "Radiological sabotage" is defined in 10 CFR 73.2, "Definitions."

12. Security Goal Performance Measures 2, 3, and 4 together encompass the discontinued performance measure "Number of security events and incidents that exceed the Abnormal Occurrence Criterion I.C 2-4" to provide greater clarity and detail.

13. A "substantial breakdown" is defined as a red finding in the security inspection program, or any plant or facility determined to have overall unacceptable performance or to be in a shutdown condition (inimical to the effective functioning of the nation's critical infrastructure) as a result of significant performance problems and/or operational events.

14. "Significant unauthorized disclosure" is defined as a disclosure that harms national security or public health and safety.

15. OIG products are issued OIG reports. For the Audits Program, these are audit reports and evaluations. For the Investigations Program, these are investigations, Event Inquiries, and special inquiries. Activities are the OIG hotline or proactive investigative reports.

16. Congress left the determination and threshold of what constitutes a most serious challenge to the discretion of the Inspectors General. As a result, OIG applied the following definition: Serious management challenges are mission-critical areas or programs that have a potential for a perennial weakness or vulnerability that, without substantial management attention, would seriously impact agency operations or strategic goals.

17. High impact is the effect of an issued report or activity undertaken that results in: a) confirming risk areas or management challenges that caused the agency to take corrective action, b) real dollar savings or reduced regulatory burden, c) identifying significant wrongdoing by individuals that results in criminal or administrative action, d) clearing an individual wrongly accused, or e) identifying regulatory actions or oversight that may have contributed to the occurrence of a specific event or incident or resulted in a potential adverse impact on public health or safety.

18. During FY 2006, three recommendations involving byproduct materials were not agreed to by the agency. These recommendations have since been resolved and implemented.

19. The agency required more than 90 days to review 5 of 6 recommendations on the Agreement State Program audit before resolution. Three of the 5 recommendations were agreed to within 98 days.

20. Measure changed from final agency action within 1 year on audit recommendations to 2 years on audit recommendations starting in FY 2010.

21. During FY 2007, five recommendations involving three separate audit reports on byproduct materials licensing, Probabilistic Risk Assessment, and the National Source Tracking System respectively have taken longer than 1 year for the agency to implement.

22. The agency took more than 90 days to review 2 recommendations on the National Source Tracking System audit. The agency agreed to both recommendations within 97 days.

23. Measure changed from final agency action within 1 year on audit recommendations to 2 years on audit recommendations starting in FY 2010.

24. Majority of these audit recommendations dealt with FISMA and a specific computer-based security program that took longer than one year to implement. Final action has been completed on all recommendations.

25. During FY 2007, 11 recommendations involving 3 separate audit reports on baseline security, Nuclear Security and Incident Response, and the Integrated Personnel Security System have taken longer than 1 year for the agency to implement.

26. The agency is taking more than 1 year to complete final action on recommendations related to information security. The agency agreed with all recommendations and action is underway to correct identified deficiencies.

27. Measure changed from final agency action within 1 year on audit recommendations to 2 years on audit recommendations starting in FY 2010.

28. Final action on recommendations in the Financial Statements audit took 16 months to complete.

29. Majority of these audit recommendations pertain to the Technical Training Center audit recommendations audit that took longer for the agency to implement.

30. The agency is taking more than 1 year to complete final action on 12 of 17 Training and Development audit recommendations. The agency agreed with all recommendations and final action has been completed on 5 of 17 recommendations.

31. Performance measure was determined to be ineffective since another NRC program office was primarily responsible for ensuring completion of action with minimal activity from year to year and will be removed starting in FY 2010.

32. The OIG Management and Operational Support staff consists of senior managers, a general counsel, and administrative support personnel. To carry out the function of this program for FY 2011, OIG estimates its costs to be $1.453 million, which includes salaries and benefits for eight FTE. The estimates for the associated FTE and salaries and benefits, and contract support and travel, were allocated in proportion to each program's FTE percentage.

33. Complete information on data measurement for each strategic outcome and performance measure can found in the Verification and Validation of NRC Measures and Metrics appendix in this document.

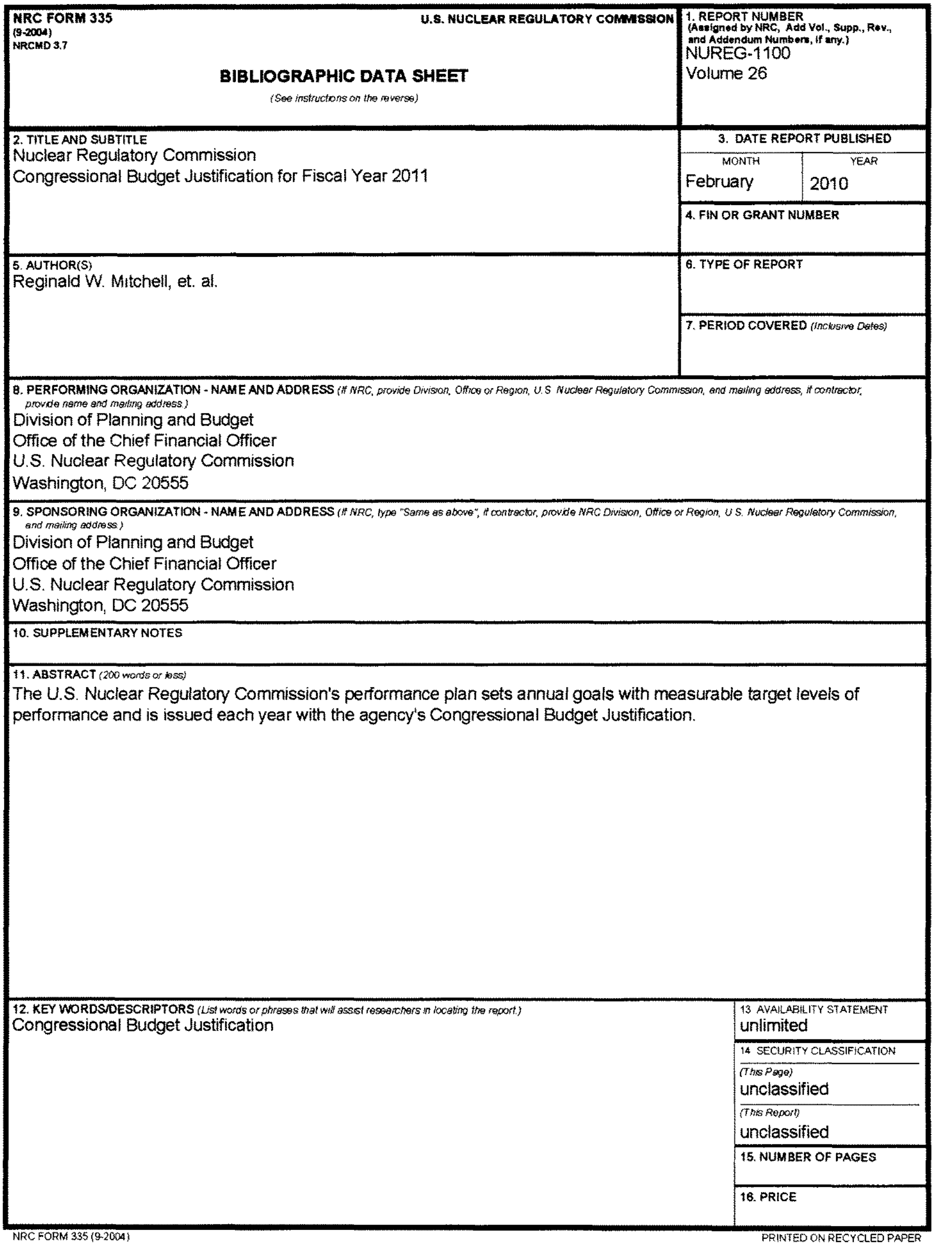
Acronym List

ACRONYM	DESCRIPTION
3WFN	Three White Flint
ABWR	Advanced Boiling-Water Reactor
ACRS	Office of the Advisory Committee on Reactor Safeguards
ADAMS	Agencywide Document Access & Management System
ADM	Office of Administration
ADR	Alternative Dispute Resolution
AEA	Atomic Energy Act
AEC	Atomic Energy Commission
AFCI	Advanced Fuel Cycle Initiative
AO	Abnormal Occurrence
ASME	American Society of Mechanical Engineers
ASP	Accident Sequence Precursor
B&W	Babcock & Wilcox
B&W NOG	Babcock & Wilcox Nuclear Operations Group
BESX	Blackberry Enterprise Server for Exchange
CAMP	Code Application and Maintenance Program
CBJ	Congressional Budget Justification
CDBI	Component Design Basis Inspection
CFR	Code of Federal Regulations
CMS	Content Management Services
CNS	Convention on Nuclear Safety
COL	Combined License
COOP	Continuity of Operations
CRCPD	Conference of Radiation Control Program Directors, Inc
CSO	Computer Security Office
DBT	Design Basis Threat
DC	Design Certification
DDMS	Digital Data Management System
DHHS	Department of Health and Human Services
DHS	U.S. Department of Homeland Security
DLP	Data Point Library
DOE	Department of Energy
DOJ	U.S. Department of Justice
DOL	U.S. Department of Labor
DONO	Domestic Nuclear Detection Officer
DOT	US Department of Transportation
ECCS	Emergency Core Cooling System
ECM	Enterprise Content Management
EIS	Environmental Impact Statement

EP	Emergency Preparedness
EPA	Environmental Protection Agency
EPR	Evolutionary Power Reactor
ERDS	Emergency Response Data System
ESBWR	Economic Simplified Boiling-Water Reactor
ESP	Early Site Permit
FAQ	Frequently Asked Questions
FBI	US Federal Bureau of Investigation
FEIS	Final Environmental Impact Statement
FEMA	Federal Emergency Management Agency
FISMA	Federal Information Security Management Act
FOF	Force-On-Force
FOIA	Freedom of Information Act
FRR SNF	Foreign Research Reactor Spent Nuclear Fuel
FTE	Full-Time Equivalent
FY	Fiscal Year
GALL	Generic Aging Lessons Learned
GAO	US Government Accountability Office
GEIS	Generic Environmental Impact Statement
HA	High Availability
HEU	High-Enriched Uranium
HLW	High-Level Waste
HQ	Headquarters
HRA	Human Reliability Analysis
HSDN	Homeland Secure Data Network
IAEA	International Atomic Energy Agency
ICRP	International Commission on Radiation Protection
IG	Inspector General
IMPEP	Integrated Materials Performance Evaluation Program
ISFSI	Independent Spent Fuel Storage Installations
ISSC	Infrastructure Services and Support Contract
ISTP	International Source Term Program
iSTS	improved Standard Technical Specifications
IT	Information Technology
ITAAC	Inspections, Tests Analyses and Acceptance Criteria
ITISS	IT Infrastructure Services and Support
IV&V	Independent Verification & Validation
Joint Guide	Joint-Canada-United States Guide for Approval of Type B (U) and Fissile Material Transportation Packages (RD-364)
KM	Knowledge Management

LER Search	Licensee Event Report Search System
LES	Louisiana Energy Services
LEU	Low-Enriched Uranium
LLW	Low-Level Waste
LOCA	Loss-of-Control Accidents
LSN	Licensing Support Network
LVS	License Verification System
MC&A	Material Control and Accounting
MDEP	Multinational Design Evaluation Program
MIPS	Medical Isotope Production System
MIS	Management Information System
Mo-99	Medical Isotope Molybdenum
MOX	Mixed Oxide
MPKI	Managed Public Key Infrastructure
MURR	University of Missouri Research Reactor Center
NARM	Naturally Occurring and Accelerator-Produced Radioactive Material
NAS	National Academy of Sciences
NASA	National Aeronautics and Space Administration
NCTC	National Counter-Terrorism Center
NDE	Non-Destructive Examination
NFPA 805	National Fire Protection Standard 805
NGNP	Next Generation Nuclear Plant
NMED	Nuclear Materials Events Database
NMMSS	Nuclear Materials Management and Safeguards System
NMP	National Materials Program
NPP	Nuclear Power Plant
NRC	U.S. Nuclear Regulatory Commission
NRR	Office of Nuclear Reactor Regulation
NSIR	Office of Nuclear Security and Incident Response
NTST	National Source Tracking System
NUREG	US Nuclear Regulatory Commission Regulation
O.E.	Executive Order
OAS	Organization of Agreement States, Inc
OCED	Organization for Economic Cooperation and Development
OCIMS	Operations Center Information Management System
OE	Office of Enforcement
OEP	Occupant Emergency Program
OI	Office of Investigations
OIG	Office of the Inspector General

OIS	Office of Information Services
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PBPM Process	Planning, Budget and Performance Management Process
PI	Performance Indicators
PIC	Performance Improvement Council
PII	Personally Identifiable Information
PIO	Performance Improvement Officer
PKL	Primär Kreislauf
PL	Public Law
PRA	Probabilistic Risk Assessment
RAMQC	Radioactive Materials Quantities of Concern
RES	Office of Nuclear Regulatory Research
RIC	Regulatory Information Conference
ROP	Reactor Oversight Process
RPS	Reactor Program System
RTM-96	Response Technical Manual
RTR	Research and Test Reactor
S&E	Salaries & Expenses
SAPHIRE	Systems Analysis Programs for Hands on Integrated Reliability Evaluation
SCOL	Subsequent Combined License
SDP	Significant Determination Process
SER	Safety Evaluation Report
SNF	Spent Nuclear Fuel
SNM	Special Nuclear Materials
SOARCA	State-of-the-Art Reactor Consequence Analysis
SOC	Security Operations Center
SPAR	Standardized Plant Analysis Risk
SRP	Standard Review Plan
T&L	Time & Labor
USAPWR	Advanced Pressurized-Water Reactor
USEC	US Enrichment Corporation
USNRC	US Nuclear Regulatory Commission
WBL	Web-Based Licensing
WIR	Waste Incidental to Reprocessing



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Appalachian Regional Commission

FY 2011

Performance Budget Justification

Appalachian Regional Commission

FY 2011 Performance Budget Justification

As Submitted by the Federal Co-Chair

February 2010

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ARC FY 2011 Budget Summary & Highlights

The Federal Co-Chair requests $76 million in direct appropriations for The Appalachian Regional Commission to implement the Appalachian Regional Development Act Amendments of 2008, which authorizes the Commission through FY 2012. This represents level funding with the amount enacted for FY 2010. The Commission's programs are designed to help the 13-state Appalachian Region achieve socioeconomic parity with the nation. FY 2011 activities will further the Administration's special focus on the diversification of the Appalachian economy and advance the four goals of ARC's Strategic Plan to increase job opportunities and per capita income, strengthen economic competition, develop and improve the Region's infrastructure and build the Appalachian Development Highway System to reduce the Region's isolation.

Appalachian Development Highway System

The Safe, Affordable, Flexible, Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU) authorized $470 million annually from the Highway Trust Fund for the Appalachian Development Highway System. ARC continues to oversee the development of this system.

Area Development

The request includes $63.5 million for Area Development. At least half of this amount will benefit economically distressed counties and areas. While final program decisions will be made jointly by the Federal Co-Chair and the Appalachian governors, the Commission expects to place a priority on creating jobs through grants for basic infrastructure improvements. It will continue its special focus on increasing access to and use of broadband services, expanding access to quality healthcare, and reducing the gap in college-going rates between Appalachia and the nation. ARC will also capitalize on the Region's abundant energy assets to promote job creation and workforce training in renewable energy and energy efficiency. For Local Development Districts, the ARC budget provides $6.2 million.

Salaries and Expenses

To implement the ARC program, the Federal Co-Chair requests $6.2 million for salaries and expenses. Increases primarily reflect a cost-of-living adjustment in addition to increases in costs associated with federal financial requirements and the new Inspector General Reform Act.

Performance

Performance targets for FY 2011 include: create/retain 20,000 jobs; position 20,000 Appalachians for enhanced employability; provide 20,000 households with basic infrastructure services; open 25 additional miles of the ADHS; and leverage $4 of private investment for every $1 of ARC funds invested in job-creating projects.

ARC Budget Summary ($ thousands)

ARC Program	2010 Enacted	2011 President's Budget	Change
Area Development	63,714	63,525	- 189
Local Development Districts	6,200	6,200	-
Salaries and Expenses	6,086	6,275	+ 189
Total ARC	**76,000**	**76,000**	**-**

The Appalachian Regional Commission is the only federal entity specifically created to focus on the unique needs and opportunities of Appalachia. No other agency is charged to be simultaneously a regional advocate, knowledge builder, investor, and partner at the federal, state and local levels. ARC complements the broad national activities of other federal agencies by facilitating and extending federal programs into the most challenging and distressed parts of Appalachia. In addition, ARC uses its grassroots delivery system and region-wide partnerships to make strategic place-based and regional investments and attract private and non-profit investment to areas suffering from intense economic distress.

While Appalachia has made considerable progress over the last few decades, it continues to lag behind the nation on key indicators of economic success in areas such as education and health. Appalachia has long been buffeted by a series of setbacks that disproportionately affect the region because of its historic reliance on big industries like manufacturing, mining, tobacco and steel. The Region confronts a complex combination of challenges that few other parts of the country face such as a mountainous terrain, a dispersed population, environmental problems, and a lack of human resources. Appalachia also has a weak track record in applying for and receiving funding assistance. These special set of barriers hinder regional competitiveness and economic growth. They call for a specially tailored and flexible federal response that recognizes the unique problems and history of each city and county in Appalachia. This is the role of the ARC. Activities in FY 2011 include continuing to address the Administration's special focus on the diversification of the Appalachian economy through interagency collaboration.

ARC is a performance-based agency whose regional strategies to help communities help themselves show substantial results. Since its inception, the ARC has helped cut Appalachia's poverty rate from 31 percent to 14 percent. In the past five years alone, ARC-funded infrastructure projects have resulted in the creation or retention of nearly 80,000 jobs and provided almost 200,000 Appalachian households with access to clean water and sanitation facilities.

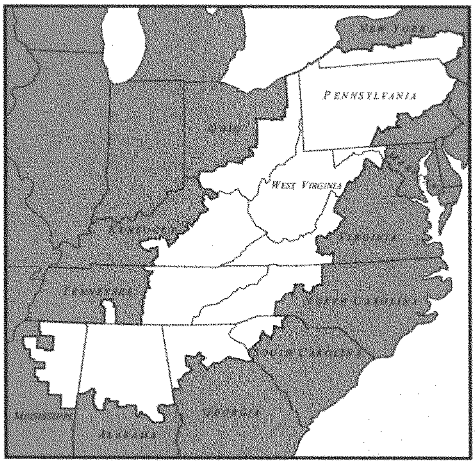
In FY 2009, ARC invested roughly $75 million in projects that:

- Leveraged over **$657 million** in private sector investment, a ratio of 9:1;
- Created or retained **21,183 jobs;**
- Provided water and sewer service to **25,981 households; and**
- Delivered workforce training to **23,764 students or individuals**

The FY2011 budget request allows ARC to continue its mission to help Appalachia achieve socioeconomic parity with the rest of the nation. It includes ARC performance over the past year and projected performance for the upcoming fiscal year.

Mission and History

The Appalachian Regional Commission (ARC) is a federal-state partnership that seeks to foster economic development, create jobs, and improve the quality of life in a 13-state region that stretches along the Appalachian Mountains from the Southern Tier of New York to northeastern Mississippi.



The Appalachian Region includes all of West Virginia and portions of 12 other states: Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia. ARC serves 420 counties that encompass roughly 205,000 square miles, with a population of 23 million people.

Established by Congress through the Appalachian Regional Development Act of 1965 and recently reauthorized through FY 2012, ARC was created to help close the profound socioeconomic gaps between Appalachia and the rest of the nation. These gaps are widespread and generational. As a region, Appalachia confronts a combination of challenges that few other parts of the country face – its mountainous terrain, dispersed population, environmental issues, lack of financial and human resources, and weak track record in applying for and receiving funding assistance. In addition, the Region suffers economic distress largely because its economy is disproportionately dependent on manufacturing, mining, tobacco and steel. The combination of these special problems has resulted in concentrated areas of poverty, unemployment, and underinvestment.

The current economic downturn has affected Appalachia even more severely than other parts of the nation. Overall, the rate of job loss has been more severe in Appalachia than in the nation as a whole with southern Appalachia bearing the most significant losses. Of the 420 counties in Appalachia, only 11 registered positive employment growth since the fourth quarter of last year. Employment in the region has decreased to 2002 levels, wiping out all jobs gained since the previous recession in 2001.

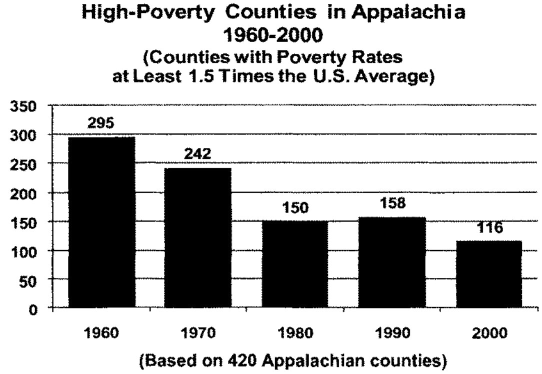
As declared in its Strategic Plan, ARC's vision is that Appalachia will achieve socioeconomic parity with the nation. To achieve that vision, ARC's mission is to employ locally-driven, integrated and place-conscious solutions across Appalachia as well as to be a strategic partner and advocate for sustainable community and economic development in Appalachia.

ARC's programs focus on two broad areas: a highway program to connect Appalachia with national and international commerce, funded through SAFTEA-LU, and a non-highway area development program to create jobs, stimulate economic growth, provide needed infrastructure, and improve the education and health of the people of Appalachia.

Each year almost half of ARC's nonhighway funding supports basic infrastructure projects such as construction of water and sewer facilities and telecommunication. ARC often provides the first public water supply for residents of isolated communities in rural Appalachia. Telecommunication, particularly broadband, is a key component to reducing isolation and enabling Appalachia to participate in the global economy. The remaining funds target other ARC priorities, including workforce development, entrepreneurship, healthcare, and local leadership development. Most of these activities are carried out through grants to government entities and nonprofit organizations.

ARC seeks to provide the "building blocks" that are essential for local economic growth. Its programs complement other federal activities and extend the reach of those programs into the most challenging parts of Appalachia. ARC provides "gap funding"—the missing piece of the puzzle that enables many distressed communities to take full advantage of other federal programs and acts as a key financial partner in attracting private and nonprofit investment to the Region. Because the programs at major federal departments use broad nationwide guidelines, many Appalachian communities have difficulty accessing these federal resources.

ARC is a performance-based agency that makes long-term and short-term investments and designs performance measures to track its progress. The results of ARC's work to date are compelling: the number of high-poverty counties in the Region has dropped from 295 in 1960 to 116 in 2009; the more than 400 ARC-funded rural primary care health facilities have helped improve access to health care and reduce the infant mortality rate by two-thirds; and high school graduation rates now meet the national average, with ARC helping build and equip 700 vocational education centers. Over the past five years, ARC infrastructure projects have provided almost 194,000 Appalachian households with access to clean water and sanitation facilities.



A recent independent evaluation of ARC infrastructure projects funded between 1998 and 2004 found that the sampled projects resulted in leveraged private-sector investment of $1.7 billion and yielded 17,800 new jobs. Private investment has played an important part in the economic development of Appalachia, and in FY 2008 ARC's job-creating projects attracted almost $14 of private investment for every $1 of ARC support.

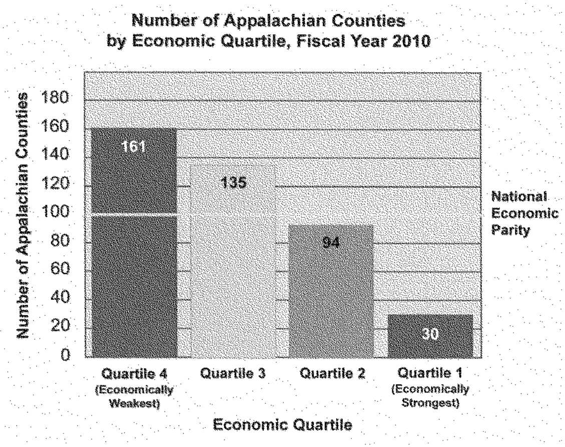
Another independent evaluation analyzed differences in economic growth rates between Appalachian counties and their non-Appalachian socioeconomic "twins" between 1969 and 2000. The empirical findings indicated that during that period, income growth in the Appalachian counties was 131 percent higher than income growth in the non-Appalachian counties; earnings growth was 96 percent higher; population growth was 9 percent higher; and per capita income was 36 percent higher.

Despite this success, serious challenges continue to confront Appalachia, and, in many ways, they are even more complex and profound today than they were in the 1960s. Then, the major concern was addressing the most basic infrastructure, environmental, training, and health needs. Today, patterns in global trade and technology have shaken Appalachia's historic economic reliance on traditional manufacturing, extractive industries, and tobacco production, threatening many communities whose local economies were already fragile. Even the coal industry, which is experiencing a resurgence, has lost almost 50,000 jobs since the 1980s, due largely to productivity gains and mechanization.

Manufacturing job losses have also taken their toll. Between 1995 and 2005, one out of three American jobs lost in the apparel sector and one out of five jobs lost in textiles manufacturing occurred in Appalachia. Primary-metals sectors, such as steel, have lost 21,000 jobs since 1995. The furniture industry, which had been a robust source of jobs in southern Appalachia, is facing severe challenges from imports.

Some of the earlier infrastructure problems still exist in Appalachia, and they require continued attention. Roughly 20 percent of Appalachian households are not served by a public water system (compared with 10 percent of the rest of the nation's households), and 47 percent of Appalachian households are not served by a public sewage system (compared with a national average of 24 percent).

To better assess progress in completing its mission, ARC developed an index that compares the economic condition of Appalachian counties with all counties in the nation (based on unemployment, per-capita income, and poverty rates). Appalachia has proportionally more of the economically weakest counties and fewer of the economically strongest counties. More than 20 percent of the nation's weakest counties are in Appalachia, while the Region has only 5 percent of the nation's strongest counties—which are often



the engines that drive regional economic growth. The Region lags behind the rest of the nation in per capita income, college enrollment, and population growth; and has higher rates of cancer, heart disease, diabetes, and chronic obstructive pulmonary disease than the nation as a whole.

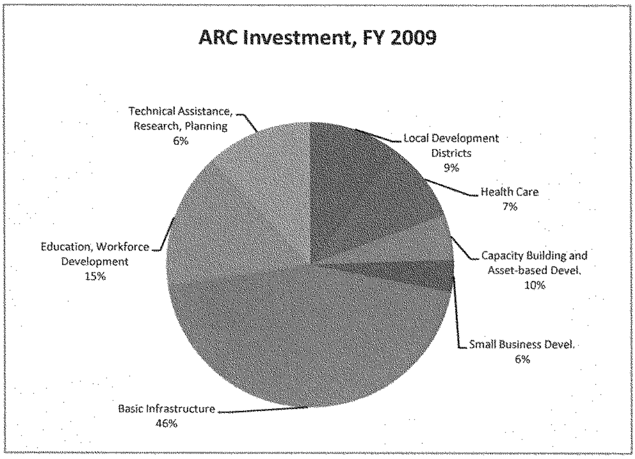
ARC is working with Appalachian communities to help them capitalize on trends that offer encouragement for a more robust regional economy—the growth of a vibrant automobile industry in southern Appalachia, new opportunities for clean coal and renewable energy industries, expansion of telecommunications access throughout Appalachia, and increased focus on the Region's unique cultural and scenic resources. Finally, the construction of the Appalachian Development Highway System, along with the growth of intermodal facilities and inland ports, is positioning Appalachia as a key venue for the movement of freight that can boost not only the Region's economy but the nation's economy as well.

Programs and Policies

Area Development Program

ARC's nonhighway program is based on a Strategic Plan adopted by the Commission in August 2004. While the program includes research and technical assistance, the bulk of the Commission's nonhighway appropriation goes to grants to governmental entities and nonprofit organizations in each of the 13 Appalachian states. ARC grant funding is not available to for-profit entities. The Commission approved $75.1 million in funding for 497 nonhighway grants (commonly referred to as "projects") during FY 2009. ARC targets its grants to the areas of greatest need across the Region and will continue the Administration's special focus on the diversification of the Appalachian economy through interagency collaboration.

Generally, ARC grants must be matched with state, local, or private funds, with the amount of that match set by statute, according to the economic condition of the county in which the grant activity is conducted.



Some of the major kinds of projects that ARC funds include the following:

- ***Basic infrastructure:*** The Commission invests close to half of its grant funds in projects that bring new or upgraded water and sewer systems to Appalachian communities. Infrastructure projects are some of the primary generators of new jobs in the Region. In many cases, the ARC grant helps provide the first public water or sewer service to a community. Additional infrastructure projects include telecommunications and broadband access, industrial park development, and housing development. In FY 2009, ARC invested $34.7 million in basic infrastructure, which leveraged $580 million in private investment related to the ARC projects.

- ***Education and job training:*** Equipping Appalachia's workforce for the high-growth, high-demand jobs of the future is an essential element of ARC's grant activities, especially in growing renewable energy fields. These education and workforce development projects include developing new curricula at community colleges, using distance learning technology to reach more students, and boosting the proportion of high school graduates who go on to college, as well as literacy, math and science education, and preschool programs. In FY 2009, ARC invested $11.4 million in education and job training projects.
- ***Health care:*** ARC has a long and rich history in addressing Appalachia's health care deficiencies. Current activities include placing American-trained foreign physicians in areas without an adequate number of primary care doctors (the J-1 Visa Program), addressing the Region's disproportionate incidence of diabetes and cancer, and supporting community-based approaches to substance abuse. The Commission has recently increased its work on oral health and also invests in health facilities and telemedicine. In FY 2009, ARC invested $5.3 million in a variety of health projects.
- ***Entrepreneurship and small business development:*** ARC seeks to foster entrepreneurship and small business growth across Appalachia through access to capital and technical assistance. ARC has helped capitalize 36 revolving loan funds across the Region to serve small businesses. The total current capitalization from ARC is $30.4 million. ARC also provides support to business incubators and offers export promotion assistance to help Appalachian businesses access key foreign markets. In FY 2009, ARC invested $4.8 million in business development projects.
- ***Local leadership, capacity building, and asset-based development:*** ARC views the development of local civic capacity as an important strategy for helping distressed communities create a stronger economy. Currently, 32 Appalachian communities are receiving support through projects that will strengthen local leadership. ARC also supports the development of existing assets in the Region, such as tourism, energy, and agriculture. In FY 2009, ARC invested $7.5 million in projects that build on the existing strengths of communities in the Region.
- ***Technical assistance, research, and planning*:** To help guide Appalachian communities in crafting effective economic and community development strategies, ARC sponsors research on key issues affecting the Appalachian economy and provides technical assistance to its member states and communities in translating that research into plans and activities that can boost local economies. In FY 2009, ARC invested $4.5 million in grants for these projects.
- ***Local development districts*:** ARC encourages regional approaches to economic development in part through its support of multi-county planning and development organizations (local development districts, or LDDs). These organizations craft regional strategies, provide planning assistance to small rural governments, and identify local economic development opportunities. Each ARC county is served by a local development district. In FY 2009, ARC invested $6.8 million in the 73 LDDs to foster regional planning and development.

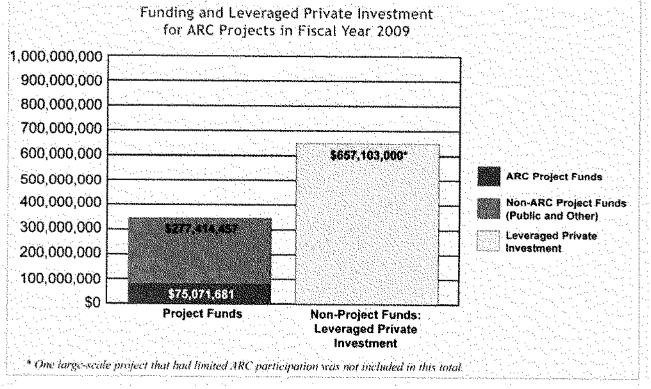
Highway Program

Congress authorized construction of the Appalachian Development Highway System (ADHS) in the Appalachian Regional Development Act of 1965 (ARDA). The ADHS was designed to generate economic development in previously isolated areas, supplement the interstate system, connect Appalachia to the interstate system, and provide access to areas within the Region as well as to markets in the rest of the nation. The ADHS is the centerpiece of ARC's economic and social development programs. At the end of FY 2009, a total of 2,585 miles, or over 83 percent, of the 3,090 miles authorized for the ADHS were open to traffic, and 97.5 additional miles were under construction. Another 122 miles were in the final design or right-of-way acquisition phase, and 273 miles were in the location study phase.

Section 1101 of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) provided annual authorizations of $470 million for the ADHS for FY 2005 through FY 2009, for a total of $2.35 billion over the five-year period, from the Highway Trust Fund. The $470 million authorized in SAFETEA-LU was apportioned to states annually based on each state's proportional share of the cost to complete the ADHS as specified in the latest available estimate of the cost to complete the ADHS. It is anticipated that funding for FY 2011 will be consistent with prior years.

Targeting and Leveraging

ARC annually designates counties according to their economic condition, using the most recently available data for unemployment, per capita market income, and poverty. The categories are: distressed, at-risk, transitional, competitive, and attainment. Each county's status is determined through an index that monitors the economic status of Appalachian counties relative to all counties in the nation.



ARC targets its funds to the areas of greatest need. By law, at least 50 percent of its grant funds each year must go to projects and activities that benefit the Region's economically distressed counties and areas. ARC routinely spends over 60 percent of its grant dollars on these activities.

ARC targets its funds in three ways: First, it reserves 30 percent of its project funds for use exclusively in the Region's distressed counties, and allocates those funds solely to states that have distressed counties. Second, it adjusts the matching rate required for ARC to reflect the economic condition of the counties, with projects in distressed counties eligible for a larger proportion of ARC funding than projects in non-distressed counties. Finally, it prohibits ARC funding of most projects in counties that have strong economies.

To achieve maximum impact from its investments, ARC seeks to leverage other public and private dollars. In 2008, each $1 of ARC grant funds attracted almost $14 in private investment. Each dollar of ARC grant funds also drew in $2 in other public funds.

Innovative Regional Initiatives

In addition to the broad program categories outlined in ARC's Strategic Plan, the Commission from time to time adopts particular topics for special work across the Region through "regional initiatives." ARC periodically reserves a small portion of funding that can be used only on projects in these topical areas, and uses these dollars to spark innovative regional approaches. The two current regional initiatives focus on telecommunications and asset-based development.

The Telecommunications Initiative emphasizes the importance of broadband access and use in developing the economies of rural communities. Telecommunications technology can enable businesses in Appalachia to compete successfully in the global economy. Activities include: providing telecommunications infrastructure, promoting the use of distance learning and telemedicine applications, and helping small businesses enter the world of e-commerce.

The Asset-Based Development Initiative helps communities identify and capitalize on their existing economic development assets—natural, cultural, structural, and leadership resources that can enable communities to shape a new economic future for themselves. Commission activities in this area have included: the promotion of cultural and heritage tourism, support for value-added agriculture, use of the Region's diverse energy resources as a strategy for local economic growth, and support for "gateway communities" that capitalize on their proximity to public lands.

Energy Initiatives

ARC's unique structure and strong grassroots support make it particularly well positioned to address energy development with a regional approach and an economic development perspective. Recognizing the potential impact of recent energy developments on the economic well-being of the Region, the Federal Co-Chair and 13 Appalachian state governors formally called for the creation of an Appalachian Energy Blueprint in February 2006. ARC's goal was a comprehensive plan that would tap all the Region's assets – its conventional and renewable energy resources, its research institutions, its regional economic development entities, its two national energy labs, and its local communities. The plan calls for the Commission to focus on job creation in three broad areas:

1) Promoting energy efficiency to enhance the Region's economic competitiveness;
2) Increasing the use of renewable energy resources to produce alternative transportation fuels, electricity, and heat; and
3) Developing conventional energy resources.

Congress embraced the general approach outlined in this blueprint in ARC's recent reauthorization, establishing a special authority for the Commission to work on energy and economic development. Over the past two years, the Commission completed several grant competitions intended to help communities revitalize their economies by leveraging renewable energy and energy-efficiency resources.

Wellness Initiative

As a region that struggles with many health issues such as obesity, diabetes and high rates of cancer, it is important that Commission staff be more proactive about health and wellness. In FY 2011, the Commission will begin a "Wellness 101" initiative that will include activities designed to enhance staff knowledge of healthy eating choices and easy exercise habits.

Emphasis on Distressed Counties

ARC devotes special attention to the Appalachian counties that are designated as economically distressed. In FY 2010, 82 of the Region's 420 counties are designated as distressed. In addition to reserving grant funds that can only be spent in those counties, the Commission takes a number of steps to address the particular challenges in these counties. For example, a special "Flex-E-Grant" program makes small grants (usually less than $10,000) available for leadership development and capacity-building projects in these counties. The Flex-E-Grants program uses citizen "sparkplugs" to create the community change needed to jumpstart local economies. By starting with small projects, the program enables the most distressed rural communities to gain the experience needed to move on to more complex strategic development efforts. In addition, in its grant competitions, the Commission gives extra weight to applications from distressed counties.

Special Partnership Activities

ARC seeks to achieve the maximum impact from its dollars by creating key partnerships with other public and private entities. Through a partnership with Microsoft from 2004 to 2006, communities across Appalachia benefitted from a commitment of $2 million in Microsoft software. ARC provided a conduit for this partnership using its grassroots distribution system of Local Development Districts, non-profits and educational organizations. ARC continues its ongoing partnership with the Parametrics Technology Corporation (PTC) to deploy their engineering software for use throughout the region in Community Colleges, high schools and middle schools. To date more than $24 million in software and associated licensing fees have been distributed throughout the region. A partnership with the National Geographic Society has boosted tourism in the Region through a first-of-its-kind geotourism map guide in 2005 and a new Appalachian driving tours map released in the spring of 2008. In November 2008, ARC announced a new partnership with the Claude Worthington Benedum Foundation to improve oral health in West Virginia by creating school-based dental clinics. Finally, using ARC's local network of economic and community leaders, the Centers for Disease Control and Prevention has committed over $1.7 million since 2002 to focus on reducing health disparities in Appalachia, particularly in diabetes and cancer. The Commission also works with and assists Historically Black Colleges and Universities (HBCUs). Funding for HBCUs includes a scholarship program and a grant to provide specialized technical assistance.

Advisory Councils

To help guide its policies and programs, the Commission periodically establishes informal advisory councils, with each governor asked to designate a member from his or her state, and the Federal Co-Chair or Alternate Federal Co-Chair representing the federal interest. The Commission currently has advisory councils on the following issues: export trade, energy, health, tourism, intermodal transportation, and business incubators.

ARC Strategic Plan[1]

ARC's Vision

For Appalachia to achieve socioeconomic parity with the nation

ARC's Mission

To be a strategic partner and advocate for sustainable community and economic development in Appalachia

ARC performs its mission by fulfilling four regional development roles: advocate, knowledge builder, investor, and partner. Unlike economic development agencies that are primarily categorical grant makers, ARC performs advocacy, regional planning, and research activities in combination with its special grant program. No other entity has this regional mandate for Appalachia. As an advocate, ARC works with federal and state agencies, nonprofits, and other organizations to better deploy policy, programs, and financial resources in the Region. As a knowledge builder, the agency uses its unique expertise to focus on problems and development opportunities by convening councils, regional forums, and meetings of community leaders, and by performing in-depth research. As an investor, ARC creates economic opportunities by making its funds available for seed capital, gap funding, and investments in innovative programs. As a partner in the Region, ARC draws on its unique federal-state-local partnership model to expedite project development and solve problems that cannot be addressed by one level of government alone.

ARC organizes its funding policies and administration programs around four goals as laid out in its Strategic Plan to carry out its mission. Strategic objectives under each goal embody core ARC policies. Please see ARC's Performance Measurement Framework on page 16 as a demonstration of how the Agency's goals, objectives and performance coincide with one another. The following section explains each goal and the methods used to attain them. The Major Programs Section of this document integrates the ARC Strategic Plan with the FY 2011 Budget Request by program area.

ARC Strategic Plan Goals:

Goal 1: Increasing Job Opportunities and Per Capita Income in Appalachia to Reach Parity with the Nation

Strategic Objectives

1.1: Foster Civic Entrepreneurship
1.2: Diversify the Economic Base
1.3: Enhance Entrepreneurial Activity in the Region
1.4: Develop and Market Strategic Assets for Local Economies
1.5: Increase the Domestic and Global Competitiveness of the Existing Economic Base
1.6: Foster the Development and Use of Innovative Technologies
1.7: Capitalize on the Economic Potential of the Appalachian Development Highway System

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[1] ARC will extend its current strategic plan through FY2011.

Goal 2: Strengthen the Capacity of the People of Appalachia to Compete in the Global Economy

Strategic Objectives
2.1: Foster Civic Entrepreneurship
2.2: Enhance Workforce Skills through Training.
2.3: Increase Access to Quality Child Care and Early Childhood Education
2.4: Increase Educational Attainment and Achievement
2.5: Provide Access to Health-Care Professionals
2.6: Promote Health through Wellness and Prevention

Goal 3: Develop and Improve Appalachia's Infrastructure to Make the Region Economically Competitive

Strategic Objectives
3.1: Foster Civic Entrepreneurship
3.2: Build and Enhance Basic Infrastructure
3.3: Increase the Accessibility and Use of Telecommunications Technology
3.4: Build and Enhance Environmental Assets
3.5: Promote the Development of an Intermodal Transportation Network

Goal 4: Build the Appalachian Development Highway System to Reduce Appalachia's Isolation

Strategic Objectives
4.1: Foster Civic Entrepreneurship
4.2: Promote On-Schedule Completion of the ADHS
4.3: Coordinate Work on ADHS State-Line Crossings

ARC Performance Measurement Framework
Fiscal Year 2011

Program Category	JOBS AND INCOME	COMPETITIVENESS	INFRASTRUCTURE	HIGHWAYS
Ten-Year Goals	**Increase job opportunities and per capita income in Appalachia to reach parity with the nation.** **Outcome Goal 2005–2014:** Create or retain 200,000 jobs.	**Strengthen the capacity of the people of Appalachia to compete in the global economy.** **Outcome Goal 2005–2014:** Provide 200,000 Appalachian citizens with enhanced education/skills.	**Develop and improve Appalachia's infrastructure to make the Region economically competitive.** **Outcome Goal 2005–2014:** Provide new or improved water/sewer services to 200,000 households.	**Build the Appalachian Development Highway System to reduce Appalachia's isolation.** **Outcome Goal 2005–2014:** Open 250 additional miles (net increase) of the ADHS to traffic.
FY 2011 Goals	***Performance Goals*** **Outcome Goal:** Create or retain 20,000 jobs for Appalachians. **Leveraging Goal:** Achieve a 4:1 ratio of leveraged private investment (non-project investment) to ARC project funding. **Targeting Goal:** Direct 50% of grant funds to projects that benefit distressed counties or areas.	***Performance Goals*** **Outcome Goal:** Position 20,000 Appalachians for enhanced employability. **Matching Goal:** Achieve a 1:1 ratio of non-ARC project funding to ARC project funding. **Targeting Goal:** Direct 50% of grant funds to projects that benefit distressed counties or areas.	***Performance Goals*** **Outcome Goal:** Provide 20,000 households with basic infrastructure services. **Matching Goal:** Achieve a 2:1 ratio of non-ARC project funding to ARC project funding. **Targeting Goal:** Direct 50% of grant funds to projects that benefit distressed counties or areas.	***Performance Goal*** **Outcome Goal:** Open 25 additional miles (net increase) of the ADHS to traffic.
Input and Activities	**Key Strategies and Activities:** Promote economic diversification through advocacy, regional forums, information sharing, training, and cooperative funding. Target entrepreneurship development and business support.	**Key Strategies and Activities:** Increase employability by identifying and replicating exemplary projects, expanding alliances with other organizations, and providing funding leadership. Focus on college-going rates, worker skills, science/math education, school readiness, and high school completion rates. Address health access issues.	**Key Strategies and Activities:** Seek highly leveraged and collaborative funding for basic infrastructure projects, emphasizing clean water and waste disposal. Expand telecommunications infrastructure through advocacy, knowledge sharing, and targeted funding.	**Key Strategy:** Work to complete the ADHS in close cooperation with state and federal partners as Highway Trust Fund financing becomes available.

Goal 1: Increasing Job Opportunities and Per Capita Income in Appalachia to Reach Parity with the Nation

Appalachia's economic vitality and stability require a more diversified regional economy. While attracting new industry and retaining and expanding existing businesses is important, the Region needs to nurture home grown firms, encourage innovation and foster greater private sector investment. Appalachia has a wealth of natural, cultural, and structural assets that can be leveraged to provide local economic development opportunities. Additionally, liabilities such as Brownfield sites should be transformed into income generating centers of economic growth. ARC collaborated with the National Geographic Society to develop a geotourism map, which capitalized on the Region's scenic beauty and cultural tourism opportunities. Preliminary evaluations indicate that the map has resulted in a direct increase in tourism in the Region. Based on the success of the first collaboration, a second project featuring scenic driving tours was developed and released in 2008. Special strategies for communities that surround the Region's national parks have been developed as well.

In an effort to address the abundance of energy assets in the Region, the governors of the 13 Appalachian states and the Federal Co-Chair mandated development of a comprehensive blueprint that provides a strategic framework for the promotion of new energy related job creation opportunities. Strategies and objectives will be implemented that feature energy efficiency, renewable energy technologies such as biomass, and conventional energy sources such as clean coal.

The Region also faces entrepreneurial shortcomings that stem from Appalachia's longstanding dependence on extractive industries and branch plant manufacturing, and the presence of absentee landlords who, in some cases, have siphoned off value from the Region. Furthermore, the culture of entrepreneurship is neither broad nor deep and research findings indicate that there are many gaps in the infrastructure for supporting entrepreneurship, ranging from technical assistance to development finance. ARC continues to sponsor a network of business incubators to provide fledgling entrepreneurs technical assistance and the opportunity to share services and reduce overhead costs while launching new business efforts. Another key component of ARC's business development efforts has been the 41 Appalachian revolving loan funds that received ARC support. In addition to revolving loan funds, ARC has invested in international trade and market expansion for Appalachian companies; provided funds for downtown renewal and business incubators; supported tourism initiatives and industrial park development; and sponsored conferences on business issues.

ARC has encouraged and supported organizational efforts in the Region to take advantage of the Treasury Department's New Markets Tax Credit Program, designed to attract private sector capital investment in community development. The most recent success in this effort is the award of a $17 million tax credit allocation to the Southeast Local Development Corporation to make business loans in Appalachian Tennessee, Georgia, and North Carolina. The need for this ARC support is evident in that only a tiny proportion (approximately less than three percent) of the Treasury program has been placed in Appalachian communities or states. ARC also collaborated with the Tennessee Valley Authority, several regional banks, and two foundations to launch the $12.5 million Southern Appalachian Fund, providing further access to venture capital for businesses.

Goal 1 Strategic Objectives

1.1. ***Foster Civic Entrepreneurship:*** Building the capacity of three interdependent elements: individual leaders, organizations, and the community as a whole in order to foster broad-based civic engagement and support strategic readiness to take advantage of economic opportunities.

1.2. ***Diversify the Economic Base*****:** Providing a range of new employment opportunities in Appalachian communities that build on regional strengths and foster stability.

1.3. ***Enhance Entrepreneurial Activity in the Region*****:** Fostering locally owned businesses are they are essential for sustainable local economies and improved quality of life in Appalachian communities, especially in economically distressed areas.

1.4. ***Develop and Market Strategic Assets for Local Economies*****:** Indentifying and developing local cultural, heritage, and natural assets in order to capitalize on the economic benefit of indigenous Appalachian resources, experience, wisdom, and skills.

1.5. ***Increase the Domestic and Global Competitiveness of the Existing Economic Base:*** Assisting local firms find new markets at home and abroad as well as helping increase foreign direct investment when possible.

1.6. ***Foster the Development and Use of Innovative Technologies:*** Helping create and retain technology-related jobs in high-value-added industries such as telecommunications and computing services to close the job gap in Appalachia.

1.7. ***Capitalize on the Economic Potential of the Appalachian Development Highway System:*** Assisting communities maximize the benefits of connectivity to the ADHS through better strategic planning.

ARC Strategic Goal 1 Performance Measures

Short Term Performance Measures:

1) Create or retain 20,000 jobs annually (10% of long term goal)
2) Leverage an average of 4:1 private sector to ARC investment ratio
3) Direct 50% of grants funds to distressed counties/areas

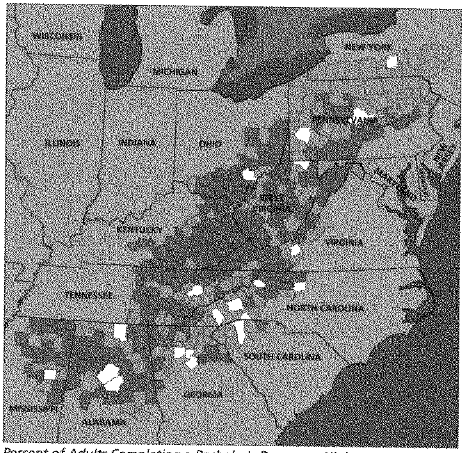
Long Term Performance Measures:

1) Create or retain 200,000 jobs by 2019
2) Leverage 15:1 private sector investment to ARC ratio for business infrastructure projects

Goal 2: Strengthen the Capacity of the People of Appalachia to Compete in the Global Economy

Job growth will not occur in places where there is an uneducated or unskilled workforce, or where health problems abound and access to care is poor. Global competition is reinforcing the economic premium on workers in knowledge-based industries, leaving low or unskilled U.S. workers increasingly vulnerable. ARC seeks to increase the employment rate and productivity of Appalachia's workers, and attract educated and skilled workers to the Region. This will attract desirable business to the Region. Doing so will require considerable investment in improving educational achievement at all levels, as is illustrated in the included map.

Appalachian Counties with Low College Completion Rates



Percent of Adults Completing a Bachelor's Degree or Higher

■ *Counties Below Half the U.S. Average*

▨ *Counties Between 50 and 99 Percent of the U.S. Average*

☐ *Counties At or Above the U.S. Average*

Data Source: U.S. Department of Commerce, Census Bureau, Census 2000, Summary File 3.

Economic forecasts for the Appalachian Region's occupational growth indicate substantial growth in many technically-oriented occupational groups. According to the Bureau of Labor Statistics the 30 fastest growing occupations will require post-secondary educational attainment levels, special post-secondary certification or moderate to short-term training.[2] In the Appalachian Region, the regional economy is forecast to add over 346,000 jobs in these high-growth occupations through the year 2012. These high growth occupations will require different types of training, ranging from the 12 high growth occupations with the greatest skill requirement such as computer and information services that require a Bachelor's Degree or higher levels of educational attainment, to the seven occupations, principally in the health-related fields, that demand an Associate's Degree, to occupations that require post-secondary vocational awards or technical education beyond high school. In FY 2006, ARC partnered with American Electric Power and three community colleges from three Appalachian states to develop and implement a workforce training program to prepare workers for employment in the electric utility industry.

Educational Achievement Results

The ARC-funded Appalachian Higher Education Network initiative increased college-going rates for Appalachian high school graduates by double digits for only a few hundred dollars per student. This highly regarded program is being replicated in 140 high schools in nine Appalachian states and has served approximately 35,000 students to date. The original Ohio program received the "Innovations in American Government Award" from the Harvard University Kennedy School of Government in 2003. Participating schools routinely report double-digit increases in their college-going rates.

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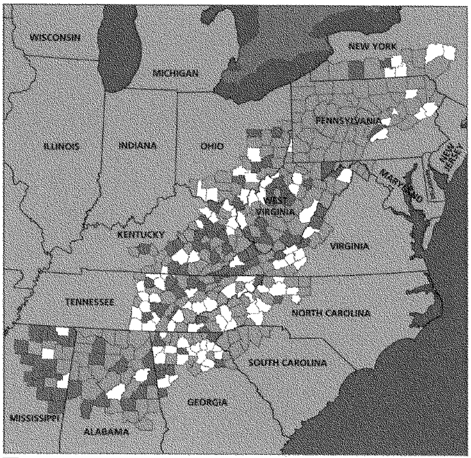
[2] Bureau of Labor Statistics, *Occupational Statistics and Employment Projections to 2012.*

In the energy field, the increasing diversification of the nation's domestic energy industry has created new demands for technical education and skill development in the regional economy. In Appalachia, almost 150,000 jobs are generated by the energy industry. Hundreds of thousands more are involved in the production and distribution of products and services for the energy industry. Coal production alone stimulated an estimated 60,000 jobs in indirect supply and induced consumer spending in 2005.[3] Workers can enter the oil and gas extraction industry with a variety of educational backgrounds, with entry-level jobs usually requiring little training or experience, while positions such as engineering technician usually require at least a two-year Associate Degree in engineering technology. However, Appalachia's higher education attainment gap with the rest of the nation has widened in the last decade for those with a college degree or graduate degree. In 1990 the difference between the Region and the nation's share of adults with college degrees was 6.0 percentage points, but in 2000 the gap widened to 6.7 percentage points. ARC's regional expansion of its highly successful project to increase college going rates through higher education/school system partnerships is an example of the agency's work in this area.

Access to quality health care is also lacking, which makes Appalachia a less desirable place to live and work. Appalachia suffers from disproportionately high rates of chronic diseases such as cardiovascular disease, cancer, and diabetes. Although the Region has improved its health care infrastructure in recent years, it still needs to attract more physicians and medical facilities in order to be on par with the rest of the Nation. As evidenced by Figure 1, over two-thirds of the Region's counties are fully or partially designated by the Department of Health and Human Services as health professional shortage areas (HPSAs). Most Appalachian counties have had difficulty attracting basic services such as dentistry, outpatient alcohol treatment, outpatient drug treatment, and outpatient mental health services. Examples of ARC's action on health issues are its collaboration with the Centers for Disease Control (CDC) regarding chronic diseases and its placement of foreign physicians in underserved areas of Appalachia through the J-1 visa program.

Figure 1

Appalachian Counties Lacking Access to Health Care



■ *Counties Fully Designated as a Health Professional Shortage Area (HPSA)*

▨ *Counties Partially Designated as a HPSA*

☐ *Counties Not Designated as a HPSA*

Data Source: U.S. Department of Health and Human Services, Health Resources and Services Administration, Bureau of Health Professions, November 2008.

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[3] U.S. Department of Labor, Bureau of Labor Statistics 2006; and Regional Economic Models, Inc. 2005

Goal 2 Strategic Objectives:

2.1. ***Foster Civic Entrepreneurship:*** Strengthening collaborative relationships among communities, agencies, and individuals that encourage innovative and achievable opportunities towards improved community responsibility and use of resources.

2.2. ***Enhance Workforce Skills through Training***: Assisting communities acquire retraining and additional education in response to new economic opportunities and weather economic uncertainty vocational schools and other training resources.

2.3. ***Increase Access to Quality Child Care and Early Childhood Education:*** Assisting communities strategize ways to locate or create cost effective child care and/or high quality early childhood education programs that not only allow guardians to take advantage of job opportunities but enhance the lives of their children.

2.4. ***Increase Educational Attainment and Achievement***: Increasing the educational attainment and achievement of Appalachian residents as it is associated benefits with improved health, longer life expectancies, and higher salaries.

2.5. ***Provide Access to Health-Care Professionals***: Improving the supply and distribution of Appalachia's professional health-care workforce (physicians, nurse practitioners, psychologists, dentists, medical technicians, etc.), especially in remote areas, to help ensure that health care is comprehensive, affordable, and tailored to the specific needs of each community.

2.6. ***Promote Health through Wellness and Prevention***: Increasing education on positive health behaviors to develop a stronger workforce and ensure the long-term viability of the Region.

ARC Strategic Goal 2 Performance Measures

Short Term Performance Measures:

1) Prepare 20,000 Appalachians with enhanced employability
2) Leverage an average of 1:1 non-ARC to ARC investment ratio
3) Direct 50% of grants funds to distressed counties/areas

Long Term Performance Measures:

1) Prepare 200,000 Appalachians with enhanced employability by 2019
2) Leverage a 1:1 average non-ARC to ARC investment ratio for employability projects

Goal 3: Develop and Improve Appalachia's Infrastructure to Make the Region Economically Competitive

Many Appalachian communities, especially the most rural and economically distressed areas, lack basic infrastructure services that others take for granted. Data from Environmental Protection Agency (EPA) surveys show that 20 percent of Appalachian households are still not reached by community water systems vs. 10 percent for the nation. Forty-seven percent of Appalachian households are not served by public sewer, compared with a national average of 24 percent. For many communities, this lack of service may force residents to haul water from springs or rain barrels; homes without sewers or septic tanks typically "straight pipe" their untreated waste directly to streams. These fundamental problems threaten public health, damage the environment, and undermine economic stability for families and the Region as a whole.

ARC has completed a study to document the Region's funding resources and funding gaps for drinking water and wastewater infrastructure.[4] The study found that, using EPA data, Appalachian counties require investments of at least $11.3 billion for drinking water needs and $14.3 billion for wastewater needs, substantially more than the funding available from combined state and federal funding programs. The study noted, however, that other national and state studies suggest that the EPA estimates substantially undercount the needs, so that the Appalachian estimates could be as high as $35 billion–$40 billion. Analysis of the EPA data shows that, on average, community water systems in distressed counties have greater needs per person served ($497) than systems in non-distressed counties ($191–$353). There is ample evidence that communities will actually have to pay far more than these estimates to ensure services that fully meet basic public health and environmental standards, since they do not include the billions of additional funds needed to address the thousands of substandard and failing individual wells, septic tanks, cesspools, and straight pipes. The surveys also do not include the funds that will be necessary to operate and maintain new facilities or facilities that have been neglected in the past.

Distressed County Infrastructure

In 2007, ARC partnered with the Environmental Protection Agency, the Community Development Block Grant Program, and Rural Development on a $6.4 million project to replace an aging wastewater treatment facility and to extend service to an area whose residents were straight-piping raw sewage into the river. Located in economically distressed Letcher County, Kentucky, Whitesburg lacked the resources to rehabilitate its sewage treatment system, which was functioning under a state consent order. ARC contributed $500,000 in 2007 to complete Phase I of what would eventually be a regional system providing improved service to 472 households and new service to another 58. A total of 211 commercial customers were also served.

Smaller rural Appalachian communities that have water and sewer systems face relatively higher investment costs, due to pressing economic development needs, increasing environmental requirements and challenging topography. These communities are also hindered by the formidable terrain and vast pockets of sparsely populated communities which make implementing these systems difficult. Communities that are experiencing declining customer bases and low household incomes cannot rely on rate increases to meet capital investment needs. The local ability to pay is particularly low in 331 ARC counties where average household incomes were two-thirds or less of the national average, according to the 2000 Census. These communities need additional technical, managerial, and financial assistance to meet their future needs.

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[4] *Drinking Water and Wastewater in Appalachia: An Analysis of Capital Funding and Funding Gaps.* UNC Environmental Financing Center, June 2005

Appalachia has other environmental problems that inhibit economic development. For example, in addition to inadequate water and sewer services, the Region has many tracts of land known as Brownfields, properties that have been developed for industrial or commercial purposes, polluted, and then abandoned or underused. These properties are also some of the best in the Region for economic development purposes, but restoring them to productive use requires considerable effort and resources.

The Region lags in access to broadband telecommunications so essential to today's commerce. ARC research suggests that high-speed Internet access via cable, DSL, or other means continues to grow at a substantially slower pace in the Region than in the nation as a whole.[5] While progress has been made in reducing geographic isolation, the information superhighway and the digital revolution have been slow in coming to Appalachia's businesses and 23 million residents. The Region lacks an adequate and affordable telecommunications infrastructure. Its people are less familiar with and therefore more easily intimidated by its complexity. Addressing these issues will require continued partnerships with the private sector to apply their resources and expertise, as ARC has recently done with Microsoft and with the EBay Foundation. The Microsoft partnership resulted in the donation of over $1.8 million in software products to schools, community technology centers, nonprofits, and local agencies throughout the Region.

Communities across the Appalachian Region, especially those in rural areas, face serious challenges in using new information, computing, and telecommunications (ICT) technologies to expand their economic development horizons. The telecommunications infrastructure in the Region is underdeveloped, and compares negatively to national averages on various indicators. In addition, the capacities to use these technologies to improve performance in public and private sector institutions are often not as well developed as in urban centers.

Access roads serving enterprise sites and other important facilities are another historically important program for the Commission. While funds appropriated to ARC have long been used for this purpose, national surface transportation legislation (TEA-21 and SAFETEA-LU) has permitted the use of a portion of ADHS funds by the individual states for development access roads. In FY 2008, $1.4 million of TEA-21/SAFETEA-LU funds were obligated for access road construction.

Goal 3 Strategic Objectives:

3.1. ***Foster Civic Entrepreneurship***: Promoting visionary leaders and effective organizations to strategically mobilize communities to develop the regional infrastructure necessary to make Appalachia competitive. Expanding the kinds of "self-help" water and wastewater projects that ARC pioneered in parts of Appalachia can apply the skills and commitment of local communities to solving local infrastructure needs.

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[5] *2004 Update: Links to the Future—The Role of Information and Telecommunications Technology in Appalachian Economic Development.* Michael Oden and Sharon Strover, June 2004.

3.2. ***Build and Enhance Basic Infrastructure***: Investing in adequate water and wastewater treatment systems and decent, affordable housing to sustain businesses, generate jobs, protect public health, and ensure a basic standard of living for residents to prevent compromising the Region's ability to pursue basic development activities.

3.3. ***Increase the Accessibility and Use of Telecommunications Technology***: Assisting communities take advantage of computing and telecommunications technologies that have the potential to expand their economic development horizons.

3.4. ***Build and Enhance Environmental Assets***: Cleaning up defunct industrial sites, promoting environmentally sensitive industries, and providing responsible stewardship and use of Appalachia's natural assets to help place the Region on an equal economic footing with the rest of the nation.

3.5. ***Promote the Development of an Intermodal Transportation Network:*** Supporting intermodal transportation strategies designed to improve access to Appalachia's transportation network (including aviation, local transit systems, railway systems, and inland waterways) as well as to increasing the responsiveness of that network to the needs of businesses, communities, and residents.

ARC Strategic Goal 3 Performance Measures

Short Term Performance Measures:

1) Serve 20,000 Appalachians households
2) Leverage an average of 2:1 non-ARC investment ratio
3) Direct 50% of grants funds to distressed counties/areas

Long Term Performance Measures:

1) Serve 200,000 Appalachians households 2019
2) Leverage 2:1 non-ARC investment ratio for water and sewer grants

Goal 4: Build the Appalachian Development Highway System to Reduce Appalachia's Isolation

The Region is well on its way to reducing geographic isolation by building the Appalachian Development Highway System (ADHS). The ADHS is the first highway system designated by Congress to be built primarily for economic development purposes. As highways are constructed, considerable secondary and tertiary highway and road construction occurs. This "spider web" effect makes it significantly easier to move products in and out of the Region, to travel longer distances for employment opportunities, and entice businesses to locate along major thoroughfares and therefore strengthen the economy of the Region.

The Appalachian Regional Development Act of 1965 authorized the Commission to construct the Appalachian Development Highway System, with assistance from the Department of Transportation, as a supplement to the Interstate System and other federal-aid highways programs. P.L. 108-199 added 65 miles to the system in 2004, for a new system total of 3,090 miles. Congress authorized this initiative because it recognized that regional economic growth would not be possible until the Region's isolation had been overcome. In FY 2008, ARC delivered a new cost-to-complete study which measures the eligible work to be done and estimates the funding necessary to complete the work. This study guides the allocation of ADHS funds throughout the Region.

Because of the high cost of building roads through Appalachia's mountainous terrain, adequate roads had not been built in much of the Region. When the interstate system was built, large areas of Appalachia were simply bypassed, compounding the problems of the Region's already troubled economy. The ADHS was designed to link Appalachia with the US interstate system. The Region has significantly benefited from the ADHS. New jobs have been created as businesses have located along the system. Substantial time savings have occurred as isolation is reduced, and crash and injury rates have dropped as much as 60 percent as two-lane roads are replaced by modern and safe four-lane thoroughfares.

Over 83 percent (2,574.9 miles) of the total 3,090 miles of the ADHS authorized by Congress for construction are open to traffic, and another 97.5 miles are under construction. The remaining 417.6 miles, which will be some of the toughest miles to build due to the diversified topography, are in the location or final design stages. The Commission continues its strong commitment to complete the ADHS, the centerpiece of ARC's Strategic Plan for the Region. Please see Figure 2 in the Major Program Section on ADHS for more progress information on the system through the end of FY 2008.

Completion of the ADHS will permit the nation to realize the system-wide efficiencies of connecting with the interstate highway system and the nation's intermodal transportation networks, linking air, rail, road, and waterway freight shipments. The International Intermodal Center in Huntsville, Alabama, is recognized as one of the most successful intermodal initiatives in the country, and ARC is helping to develop similar facilities at strategic locations in the Region. Appalachia's strategic location between the eastern seaboard and the Midwest enhances the national value of the ADHS as a transportation asset to channel increasing domestic and international freight traffic between metropolitan centers and trade gateways. Forecasts of national freight demand over the next ten to twenty years by the U.S. Department of Transportation underscore the potential of the ADHS to help relieve congestion along major transportation routes and offer new and more efficient freight flows to trade gateways.

Goal 4 Strategic Objectives:

4.1. ***Foster Civic Entrepreneurship*****:** Promoting long-term strategic planning by local and regional leadership is critical to taking full advantage of the economic and community-building opportunities presented by existing and planned ADHS corridors. New outreach and awareness efforts are needed to help communities fully integrate the ADHS into their economic development planning. ARC is positioned to continue to serve as a focal point for removing barriers to ADHS completion and ensuring collaboration among the U.S. Department of Transportation, and other state and federal agencies involved in the Region's economic development.

4.2. ***Promote On-Schedule Completion of the ADHS*****:** Promoting timely completion of the ADHS is essential for fostering economic growth and connecting the 13 states in the Region with national and global economic opportunities. ARC will continue to work with federal and state departments of transportation and other entities to expedite location studies, solve design problems, and accelerate construction while working to preserve the cultural and natural resources of the Region.

4.3. ***Coordinate Work on ADHS State-Line Crossings:*** Completing the ADHS expeditiously will require close coordination of activities on those segments of the system that cross state lines. ARC will coordinate technical information, funding disbursements, and construction scheduling between adjoining states to facilitate completion of state-line crossings of ADHS corridors.

ARC Strategic Goal 4 Performance Measures

Short Term Performance Measures:

1) Open 25 miles of the ADHS to traffic

Long Term Performance Measures:

3) Complete the ADHS by 2021
4) For every dollar invested, $1.10 in increased travel efficiency benefits

ARC Strategic Plan Goals and Performance Measures			
General Goal	Strategy/ Expected Benefit	Long-Term Performance Measures	Short-Term Performance Measures
Goal 1: Increase Job Opportunities and Per Capita Income	Promote Economic Diversification/ Enhanced economic benefit	1) 200,000 jobs created/retained by 2019* 2) Achieve 15:1 private sector to ARC investment ratio for business infrastructure projects	1) Annual: 20,000 jobs created/retained: 10% of long-term goal* 2) Achieve initial average 4 to 1 private sector to ARC investment ratio in projects 3) Direct 50% of grant funds to benefit distressed counties/areas
Goal 2: Strengthen Capacity of the People to Compete in the Global Economy	Increase Workforce Employability/ Enhanced economic benefit	1) 200,000 Appalachians with enhanced employability by 2019** 2) Achieve 1:1 average non-ARC to ARC investment ratio for employability projects	1) Annual: 20,000 Appalachians with enhanced employability: 10% of long-term goal** 2) Achieve initial average 1 to 1 non-ARC to ARC investment ratio in projects 3) Direct 50% of grant funds to benefit distressed counties/areas
Goal 3: Develop and Improve Infrastructure	Ensure basic infrastructure/services and increased telecommunications access/deployment	1) 200,000 households served by 2019 2) Achieve 2:1 average non –ARC to ARC investment ratio for water/sewer projects	1) Annual: 20,000 households served: 10% of long-term goal 2) Achieve initial average 2 to 1 non-ARC to ARC investment ratio in projects 3) Direct 50% of grant funds to benefit distressed counties/areas
Goal 4: Build the Appalachian Development Highway System to Reduce Isolation	Complete the ADHS/ Reduced isolation and improved regional access	1) Complete the ADHS by 2021	1) Open 25 miles of the ADHS to traffic 2) For every dollar invested, $1.10 in increased travel efficiency benefits

** ARC reports total target jobs of funded projects; related validation studies and ROI data are separately reported.*

*** Measured in higher educational attainment, increased access to health care, or employment after training.*

Appalachian Regional Commission
FY 2011 Performance Budget
Major Program Justification: Area Development

The Federal Co-Chair of the ARC requests $76 million for its Area Development Program and associated administrative costs. This is level funding with the FY 2010 enacted amount. Table 1 outlines ARC Appropriation history.

Table 1 ARC Appropriations

	1998 – 2007 Average Enacted	2009 Enacted	2010 Enacted	2011 President's Budget	Change in Previous Year Enacted
Total Appropriation	$65	$75	$76	$76	-

The ARC is a federal-state partnership composed of the governors of the 13 Appalachian states and a Federal Co-Chair. The FY 2011 request of $76 million reflects direct program funding for area development, full funding of the administrative costs of the Office of the Federal Co-Chair and the Office of the Inspector General as well as 50 percent of the administrative costs associated with the non-federal professional staff that report jointly to the Federal Co-Chair and states. The request includes modest support to the 73 Local Development Districts in the Region whose role is to provide bottom-up support for the program. Table 2 below details the allocation of funds by goal area for direct program funding, support of the Local Development Districts, and ARC administrative expenses. These funds will be heavily targeted to designated distressed counties and areas in the Region.

Table 2
Summary of FY2011 Request by Strategic/Performance Goal ($ Millions)

	Program Funding	Local Development Districts	Salaries & Expenses	Total Request
Goal 1: Increase Job Opportunities and Per Capita Income	14.1	1.5	1.0	**17**
Goal 2: Strengthen Capacity of the People to Compete in the Global Economy	13.1	1.2	1.2	**16**
Goal 3: Develop and Improve Infrastructure	36.3	3.5	4.0	**43**
Goal 4: Build the Appalachian Development Highway System to Reduce Isolation				**[470]***
Total Base Program Current Request	**63.5**	**6.2**	**6.2**	**76**

** Financing from the Highway Trust Fund under 2005 SAFETEA-LU legislation; will be discussed in the next section.*

Appalachian Regional Economic Diversification Initiative

Throughout FY 2009 and ARC worked with the White House Council for Environmental Quality (CEQ) on strategies for the creation of green energy jobs throughout the Appalachian region. As dialogue continued, other federal partners joined the effort and the focus expanded from energy and green jobs to overall economic diversification of the region and implementation of place based strategies for development. The Administration signaled strong support as USDA Rural Development and ARC continued to collaborate on an effort to better deploy existing programs in areas of severe economic distress. Other federal agencies including SBA, EPA, and the Departments of Commerce, Interior, Energy, Labor, Transportation, Education, HHS, and HUD joined the effort in FY 2010. As a result of this collaboration federal agencies gained more knowledge of the challenges unique to Appalachia.

Data collected from regional listening sessions sponsored by ARC and USDA will be used to guide economic development strategies unique to distressed communities in Appalachia. The region has suffered significant job losses in areas of traditional manufacturing, extractive industries and tobacco production over the last decade. Additionally, the recent economic downturn has affected this area more severely than other parts of the nation. ARC will continue to work with USDA and other federal agencies to design place based strategies unique to the needs of each Appalachian community whether it is the site of a former textile mill attempting to retool its workforce or a tobacco grower transition to another crop. ARC is using its specific knowledge of the region to guide the Administration's special focus on Appalachia in FY 2011.

In FY 2011 ARC will devote $10M to the following activities:

- Help to create a highly skilled and diversified workforce through education and training in the high growth high demand fields.

- Fund special grant competitions designed to encourage distressed communities to revitalize their economies and create new jobs by leveraging renewable and energy efficient resources.

- Build on the FY 2010 ARC sponsored convening of foundations including the Benedum and Ford Foundations. As a result, each organization can become more active in the Appalachian region.

- Continue its interagency collaboration with USDA and federal entities to better deploy existing resources in the region and create sustainable job growth.

- Leverage existing assets including the vast energy resources in the region and foster stronger demand for green products and services, such as making schools and government facilities more energy efficient, encouraging the use of alternative fuels for local government vehicle fleets, and retrofitting water and wastewater treatment plants.

Goal 1: Increase Job Opportunities and Per Capita Income - $17 Million

As described earlier, Appalachia's economic vitality and stability require a more diversified regional economy. In addition to attracting new industry and retaining and expanding existing businesses, the Region also needs to nurture home-grown firms and encourage innovation and risk-taking, as well as foster greater private sector investment. Appalachia's rich cultural heritage, which includes the Region's natural resources, scenic beauty, products, and crafts, must be better harnessed to provide local economic opportunities.

ARC FY 2009 Accomplishments

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2009 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
Jobs and Income		
Outcome Goal: 20,000 jobs created or retained	21,183 jobs created or retained	Exceeded goal
Leveraging Goal: Achieve a 4:1 ratio of leveraged private investment to ARC investment for projects in General Goal 1	Achieved a 3:1 ratio	Met 75% of goal
Targeting Goal: Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 1	Directed 47% of funds*	Met 94% of goal

** ARC exceeded its overall goal of investing 50% of total ARC nonhighway funds in projects that benefit distressed counties or areas. Project funds are included if the project* primarily or substantially *benefits distressed counties or areas.*

In FY 2011, ARC will:

- Create and retain home-grown jobs as an essential strategy to mitigate the effects of industrial declines and business out-migration from the Region. Special focus will be devoted to creating and retaining jobs in alternative energy fields by capitalizing on the Region's natural resources. ARC will utilize its grassroots community capacity to develop a clean energy cluster in the Region.

- Continue to address the Administration's focus on the diversification of the Appalachian economy through interagency collaboration.

- Diversify the economy by promoting place based development, entrepreneurship, and business vitality through advocacy, cooperative funding, regional forums, information sharing, training, and. Work in 2011 would continue a regional initiative, started in 2005, to encourage asset-based development and creation of related indigenous businesses to expand the economic base.

- Promote export development by increasing the number of firms engaged in exporting and increasing the volume of exported goods and services.

- Conduct policy discussions among Commission members on ways to increase global competitiveness through better coordination of the Region's transportation resources, and specifically through addressing 21st century needs for rapid, reliable, and efficient intermodal transfers of containerized goods. The Region can no longer rely solely on the massive bulk movement of mineral and agricultural commodities that characterized previous eras.

- Support leadership, marketing and planning efforts to enhance local strategies for economic development that make effective use of other federal and non-federal funds.

Wind and Solar Energy
Certified Education Program, Maryland

This grant provided $45,816 in 2008 to fund training in the installation and maintenance of wind generation and photovoltaic equipment at Frostburg State University in Maryland. Each course includes workshop instruction and hands-on laboratory time in the college's Wind and Solar Energy System. On completion of the course, students will be prepared to take the certification test offered by the North American Board of Certified Energy Practitioners. This program will expand opportunities for local contractors and entrepreneurs. The program has been highly successful and can easily be replicated in other institutions across the region.

Goal 2: Strengthen Appalachian Competition in the Global Economy - $16 Million

The Commission has always understood that job-producing private sector businesses can neither start nor thrive without an educated, skilled, and healthy workforce. ARC has conducted major and pioneering efforts in rural Appalachia in education and health care. Over the years, ARC has tailored its program policies and funding to focus on unmet education and health priorities.

ARC FY 2009 Accomplishments

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2009 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
Competitiveness		
Outcome Goal: 20,000 students/ trainees with improvements	23,764 students/trainees with improvements	Exceeded goal
Matching Goal: Achieve a 1:1 ratio of non-ARC to ARC investment for projects in General Goal 2	Achieved a 1:1 ratio	Met goal
Targeting Goal: Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 2	Directed 68% of funds*	Exceeded goal

** ARC exceeded its overall goal of investing 50% of total ARC nonhighway funds in projects that benefit distressed counties or areas. Project funds are included if the project* primarily *or* substantially *benefits distressed counties or areas.*

Education and Training

ARC has long emphasized upgrading educational capabilities, providing re-entry and school-to-work transition programs, training for job skills. These efforts have required collaboration among businesses and local school districts, the non-profit sector, and federal and state education agencies. Since ARC cannot be a primary funding source for systems of education, the ARC role has been concentrated on nurturing partnerships among these diverse organizations. ARC partnered with American Electric Power, a public utility, and the U.S. Department of Labor on a workforce training initiative.

In FY 2011 ARC will:

- Maintain and expand alliances with other organizations; identify and replicate exemplary model programs.
- Provide regional leadership to increase the college-going rate in Appalachia, especially in distressed areas.
- Continue to address the Administration's focus on the diversification of the Appalachian economy through interagency collaboration.

- Expand worker skills in science, technology, engineering, and mathematics (STEM).

- Enhance school readiness and high school completion. This work will include continuing ARC's successful partnership with the Department of Energy for student/teacher technology workshops, as well as collaboration with the Department of Education, National Science Foundation, and other agencies.

- Promote workforce training for high growth high demand industries.

Enhanced Workforce Training in Mississippi

In 2008, ARC partnered with the Mississippi Department of Education on a $2.5 million project to upgrade vocational education equipment in high schools in each of the state's 12 economically distressed Appalachian counties. ARC invested $2 million and the State of Mississippi invested a total of $500,000 to complete the project. The project will serve two purposes: First, it will prepare students to enter the workforce with marketable skills in high-growth, high-demand areas such as welding and automotive manufacturing. Second, it will encourage high-risk students to complete high school by providing learning activities more likely to engage their interest and result in student success.

Health Care

Improving access to quality health care has been a part of ARC's work since the agency's beginning. Early ARC investments focused on constructing and modernizing roughly 400 health clinics across the Region, many of which continue to serve their communities. ARC established a Health Advisory Council comprised of health experts throughout the region. The Council commissioned research to determine the biggest health challenges in Appalachia. Based on the findings, the Council made programmatic recommendations which guide ARC's health related activities. Recent ARC activities have included providing access to health services through the expansion of telemedicine, upgrading high-tech equipment in rural health-care facilities, and developing health-care education and training programs that recruit and maintain more health professionals in the Appalachian Region. ARC also manages a program to place American-trained foreign physicians in areas that lack an adequate number of primary care physicians (the J-1 Visa Program).

Hospital Digital Radiographic/Fluoroscopy Equipment

In 2006, ARC participated in a telemedicine program in rural Adams County, Ohio. A $215,000 grant, combined with $220,750 from the grantee, was used to purchase equipment for the screening and treatment of 400 community residents, 300 more than the prior year. Sick or injured patients often required referral to larger facilities located many miles outside the county for treatment or screening. This program enabled the community hospital to provide immediate treatment and to administer screening examinations onsite.

In 2011, ARC will:

- Continue partnerships with the CDC, medical centers, and health care organizations to address gaps through screening, prevention, and control programs, especially in distressed counties.
- Continue to address the Administration's focus on the diversification of the Appalachian economy through interagency collaboration.
- Support telemedicine as a means of universal access to comprehensive health care.
- Increase the supply of health professionals in underserved communities through the J-1 Waiver program and by collaborating with the Region's medical schools and other health profession institutions.

Goal 3: Develop and Improve Appalachia's Infrastructure to Make the Region Economically Competitive- $43 Million

Many Appalachian communities, especially the most rural and economically distressed areas, lack basic infrastructure services that others take for granted. For many communities, this lack of service may force residents to haul water from springs or rain barrels; homes without sewers or septic tanks typically "straight pipe" their untreated waste directly to streams. These fundamental problems threaten public health, damage the environment, and undermine economic stability for families and the Region as a whole.

ARC FY 2009 Accomplishments

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2009 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
Infrastructure		
Outcome Goal: 20,000 households served	25,981 households served	Exceeded goal
Matching Goal: Achieve a 2:1 ratio of non-ARC to ARC investment for projects in General Goal 3	Achieved a 6:1 ratio	Exceeded goal
Targeting Goal: Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 3	Directed 61% of funds*	Exceeded goal

* *ARC exceeded its overall goal of investing 50% of total ARC nonhighway funds in projects that benefit distressed counties or areas. Project funds are included if the project* primarily *or* substantially *benefits distressed counties or areas.*

Infrastructure
Inadequate water and sewer service is still a critical issue in Appalachia—particularly in smaller, poorer communities. Without these basic services, business and industry are simply not interested in locating in the Region, and the health of citizens is endangered. Essential community facilities, a safe environment, and access roads are required for economic and community vitality. Supplemental funding authority in the ARDA is historically a tool for effective use of ARC funds in combination with Rural Development, EDA, HUD, EPA, DOT, TVA, and other national providers.

In FY 2011, ARC will:

Develop basic infrastructure through highly leveraged and collaborative funding of projects, with an emphasis on essential clean water and waste disposal in distressed counties and promotion of cost-effective approaches to rural infrastructure design and financing.

- Continue to address the Administration's focus on the diversification of the Appalachian economy through interagency collaboration.
- Support water resources management and cooperative solutions among providers.
- Promote multi-county approaches and partnerships with the private sector to manage solid waste disposal, water, and waste treatment.
- Support waste recycling and new disposal technologies.
- Advocate for the needs of remote rural areas in infrastructure policy formulation and funding.
- Use authority in surface transportation legislation and ARC funds to construct needed access roads.
- Support environmental quality, especially through cleanup of Brownfield areas.

Public Service District Water Extension

In 2007, ARC partnered with Rural Development to extend new water service to 207 homes and 15 businesses in economically distressed Fayette County, West Virginia. An additional 297 existing customers were provided improved service as a result of the project. The area's geographic conditions and mining impacts made it difficult to rely on onsite water systems for clean drinking water; residents were forced to use streams or haul water to meet daily needs. The community worked with Rural Development, receiving both a grant and a loan, but needed funds from ARC to fill the funding gap. ARC invested $1.5 million in the $4.2 million project, which positioned the county for future interconnections to regional water systems.

Telecommunications
There exists a significant gap in high-speed telecommunications between Appalachia and the rest of the country that continues to hinder competitiveness and economic growth. ARC has been involved with aspects of telecommunications development in the Region for many years, ranging from early work with NASA satellite capabilities to distance learning projects reaching rural areas with new educational and health care technology. In recent years, ARC has maintained a regional

initiative to promote broadband Internet access and e-commerce applications. Primary national funders of telecommunications—FCC, RUS, NTIA, EDA, - are seen as partners with the Commission in assisting Appalachian communities. ARC has also collaborated with TVA in this area. The specific focus of ARC efforts is to prepare the groundwork and develop community readiness to make use of other resources effectively.

In FY 2011, ARC will:

- Continue to address the Administration's focus on the diversification of the Appalachian economy through interagency collaboration.

- Expand private sector telecommunications infrastructure through advocacy, knowledge-sharing, and targeted collaborative funding that facilitates the spread of broadband connectivity in rural areas. Understanding the aggregation of demand is the key to marketing rural communities to broadband providers. In some cases, direct investment in services may be necessary as a precursor to private sector investment.

- Continue to provide regional workshops and training in e-commerce and e-government applications to make full use of telecommunications capacity where it is available. ARC will work jointly whenever possible with the Small Business Administration, National Business Incubator Association, Industrial Development Authorities, Chambers of Commerce, Local Development Districts, Small Business Development Centers, and other organizations that promote IT sector development.

- Assist local strategic planning to identify gaps, assess demand, and establish priorities as a way to guide orderly and effective development of infrastructure and applications.

- Continue to partner with Microsoft and the EBay Foundation to distribute hardware and software throughout the Region.

Rust College Technology Infrastructure

In 2008, ARC invested $250,000 in special funds designated for use in distressed counties to assist Rust College, located in Holly Springs, Mississippi, in purchasing distance learning equipment. The new equipment made it possible for 500 college students and 250 high school students to have access to advanced math and science curriculum that had not previously been available. Additionally, 600 citizens would have access to the equipment for a variety of educational, community, and business related uses.

Appalachian Regional Commission
FY 2011 Performance Budget

Major Program Justification: Appalachian Development Highway System

Congress expressly created the Appalachian Development Highway System (ADHS) to provide economic growth opportunities for the residents of the Region—the same benefits afforded the rest of the nation through the construction of the Interstate Highway System, which largely bypassed the Region due to its rugged terrain. The program was authorized under the Safe, Affordable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) at $470 million per year from 2005 through 2009. It is anticipated that funding for FY 2011 will be consistent with prior years.

Table 3
Summary of FY 2011 Request by Strategic/Performance Goal ($ Millions)

	Program Funding	Local Development District	Salaries & Expenses	Total Request
Goal 4: Build the Appalachian Development Highway System to Reduce Isolation (From separate legislation)				**470**

The Appalachian Regional Development Act of 1965 as amended authorized the Commission to construct the Appalachian Development Highway System (ADHS), a 3,090-mile road system, with assistance from the Department of Transportation as a highway system that supplemented the Interstate System and other federal-aid highways programs. Congress authorized this initiative because it recognized that regional economic growth would not be possible until the Region's isolation had been overcome.

Because of the high cost of building roads through Appalachia's mountainous terrain, adequate roads had not been built in much of the Region. When the interstate system was built, large areas of Appalachia were simply bypassed, compounding the problems of the Region's already troubled economy. The ADHS was designed to link Appalachia with the US interstate system. New jobs have been created as businesses have located along the system. Substantial time savings have occurred as isolation is reduced, and crash and injury rates have dropped as much as 60 percent as two-lane roads are replaced by modern and safe four-lane thoroughfares.

In 1998 ARC completed a study to objectively measure, in retrospect, the extent that completed portions of the ADHS had contributed to the Region's economy. This study was subsequently updated. Both studies found the ADHS has been instrumental in creating thousands of new jobs and generating economic benefits that will exceed highway construction cost and maintenance cost by more than a billion dollars. The ADHS corridors generate economic development benefits in the Region by improving the competitive position of existing and new industries through lower transportation costs and higher productivity. In addition, the new corridors will increase access to health care, education, and cultural amenities that improve the quality of life in the Region they serve and will indirectly boost labor productivity.

Moreover, the corridors increase roadside business and significantly boost the opportunities for tourism development in the Region through improved access. The ADHS corridors improve travel efficiency by reducing travel time, lowering vehicle-operating costs, and reducing the number of accidents. These efficiencies are the result of:

- An increase in the number of lanes and lane and shoulder widths,
- Improved grades and road conditions with fewer curves,
- Restricted access and egress and more freeway miles,
- Overall, higher operating speeds, and
- An increased emphasis on highway safety improvements.

The study determined that over the life of the ADHS, each dollar invested is expected to result in $1.32 in economic benefits and $1.10 in travel efficiency benefits.

Over 83 percent (2,585.4 miles) of the total 3,090 miles of the ADHS authorized by Congress for construction are open to traffic, and another 109.2 miles are under construction. The remaining 395.4 miles are in the location or final design stages. Much of this remaining mileage is through some of the most mountainous terrain in the region. The Commission continues its strong commitment to complete the ADHS, the centerpiece of ARC's Strategic Plan for the Region. Figure 3 on page 42 indicates the location of completed and uncompleted sections and Figure 2 on page 42 show the progress by state on the system and the overall status of the ADHS through FY 2009.

The Commission and the Federal Highway Administration cooperated with the member states to complete a new cost-to-complete study which was delivered in FY 2008. This study, normally done every five years, guides the allocation of ADHS funds to the states to complete the system. It estimated the federal share of the eligible work to complete the ADHS at $6.5 billion. This study updates the 2002 version and includes the cost of the additional 65 miles added to the system by Congress in 2004, includes inflation in highway construction, and incorporates refinements and design changes in the system.

Section 201(a) of the Appalachian Regional Development Act (ARDA) authorized the construction of up to 1,400 miles of local access roads to complement the ADHS by providing new or improved access to local areas. A state may spend a portion of their ADHS funds or Area Development funds each year on access to industrial and commercial sites to create/retain jobs as well as provide access to recreational areas, educational facilities, health care facilities, residential areas, and timber access areas.

The ADHS program is a major factor in the Commission's success in reducing the Region's isolation and providing mobility and access to its residents. It is an essential complement to the Commission's Area Development Program.

Goal 4: Build the Appalachian Development Highway System to Reduce Appalachia's Isolation - $470 Million from the Highway Trust Fund

The economic impetus to complete the system has never been more compelling. A modern system of highways is an essential first step toward fostering economic growth and enabling Appalachia to become a significant contributor to the national economy. Completion of the ADHS will permit the nation to realize the system-wide efficiencies of linking with the interstate highway system and the nation's intermodal transportation networks. Appalachia's strategic location between the eastern seaboard and the Midwest enhances the national value of the ADHS as a transportation asset to channel increasing domestic and international freight traffic between metropolitan centers and trade gateways. Forecasts of national freight demand over the next ten to twenty years by the U.S. Department of Transportation underscore the potential of the ADHS to help relieve congestion along major transportation routes and help develop new and more efficient freight flows to trade gateways.

ARC FY 2009 Accomplishments

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2009 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
Highways		
Outcome Goal: 25 additional miles (net increase) of the ADHS opened to traffic	Opened 10.5 additional miles (net increase) of the ADHS to traffic	Met 42% of goal

In FY 2011, ARC will:

- Continue to build the ADHS in close cooperation with state and federal partners as Highway Trust Fund financing becomes available.
- Consider any necessary changes in terminal points or alignments within the system.

Figure 2: Status of Completion of the ADHS (Miles) as of September 30, 2009

	Miles Open to Traffic		Miles Not Open to Traffic			
State	Complete	Remaining Stage Construction	CONSTRUCTION UNDER WAY	Design Stage	Location Stage	Total Miles Eligible for ADHS Funding
ALABAMA	166.7	53.3	7.6	4.4	63.7	295.7
Georgia	100.9	0.0	0.0	11.1	20.5	132.5
Kentucky	395.2	0.0	9.8	13.1	8.2	426.3
Maryland	77.0	3.7	0.0	0.0	2.5	83.2
Mississippi	97.0	0.0	12.2	8.3	0.0	117.5
New York	211.6	1.3	3.6	5.5	0.0	222.0
North Carolina	175.4	4.2	6.6	9.8	8.3	204.3
Ohio	178.2	0.0	0.0	16.2	7.1	201.5
Pennsylvania	301.8	2.9	35.1	13.4	99.9	453.1
South Carolina	18.6	0.0	0.0	4.3	0.0	22.9
Tennessee	220.9	77.1	11.2	2.6	17.5	329.3
Virginia	160.7	0.0	1.6	14.3	15.6	192.2
West Virginia	338.0	0.9	21.5	19.0	30.2	409.6
System Totals	**2,442.0**	**143.4**	**109.2**	**122.0**	**273.4**	**3,090.0**

Appalachian Development Highway System

Status of Completion as of 9/30/2009

3,090 Eligible Miles

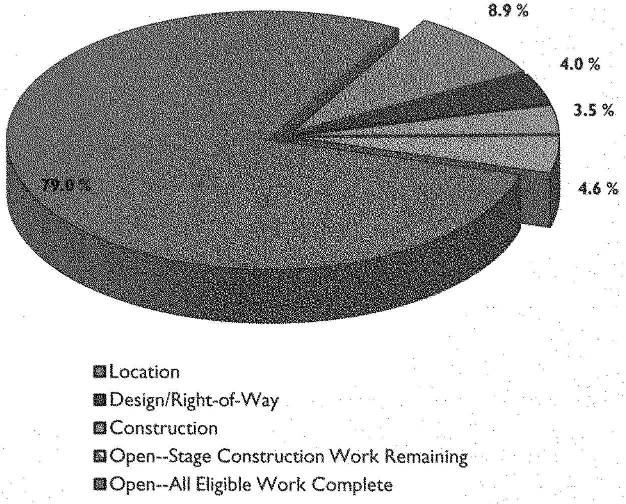
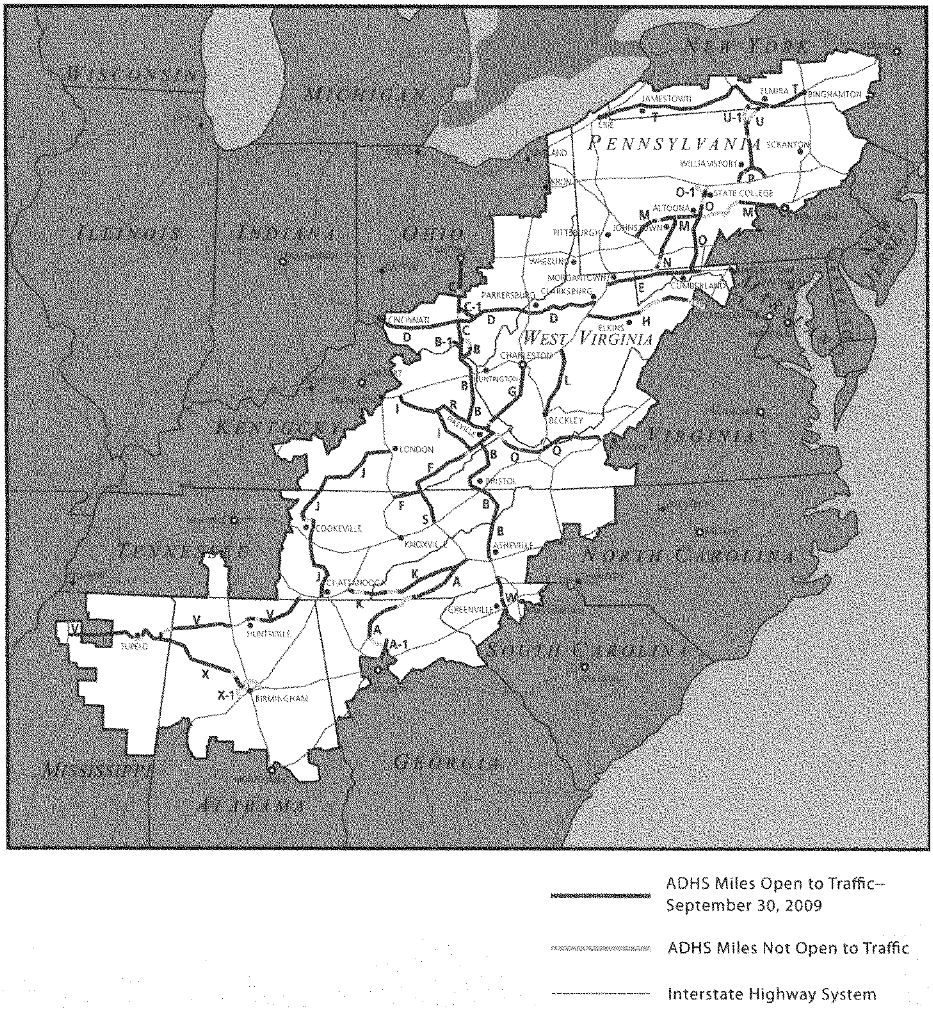


Figure 3

ARC

APPALACHIAN DEVELOPMENT HIGHWAY SYSTEM

September 30, 2009



Appalachian Regional Commission

Salaries and Expenses

The Federal Co-Chair requests $6.275M for Salaries and Expenses to implement the Area Development program and its associated costs. Table 4 summarizes ARC's total request for salaries and expenses in FY 2011, compared with prior years. Please refer to Appendix C for the ARC organizational chart which shows the federal and non-federal staff organization of the Commission.

Table 4
Salaries and Expenses
(Thousands of dollars)

	2009 Actual	2010 Enacted	2011 President's Budget	Change
Appropriation	5,727	6,086	6,275	189

The request for salaries and expenses provides for the full costs of the Office of the Federal Co-Chair, its immediate staff, and the Office of the Inspector General. The request also includes the 50 percent federal contribution to the Commission's Trust Fund for administrative expenses of the non-federal Commission staff. Subtotals for each can be seen in Table 5.

Table 5
Salaries and Expenses
(Thousands of dollars)

	2009 Actual	2010 Enacted	2011 President's Budget	Change
1. Federal Co-Chair				
Immediate Staff	1,476	1,495	1,507	12
Inspector General	489	612	635	23
Subtotal:	1,965	2,107	2,142	35
2. Commission Administrative Expenses *(50% federal contribution)*	3,762	3,979	4,133	154
Total Request:	**5,597**	**5,727**	**6,275**	**189**

As required by the Appalachian Regional Development Act, member states collectively contribute the other 50 percent of the Commission's non-federal staff and related costs.

Office of the Federal Co-Chair

The request of $1.507 million for the Office of the Federal Co-Chair provides for an immediate staff of eight positions, with related benefits, rent, travel, services, and other expenses. This includes the estimated cost associated with the Administration's legislative proposal of having agencies show the full costs of retirees' annuities and health benefits.

The Federal Co-Chair's staff is paid entirely by the federal government and assists in carrying out the Federal Co-Chair's responsibilities. These include working with federal agencies and chairing an interagency organization as provided in the ARDA; serving as the Commission's liaison to the Congress and the Administration; representing the Administration in working with the Member states to formulate regional strategies and other policy; and reviewing projects for final approval by the Federal Co-Chair.

Office of Inspector General

The *Inspector General Act Amendment of 1988 (P.L. 100-504)* requires ARC to maintain an independent Office of Inspector General (OIG), which reports directly to the Federal Co-Chair. The OIG workload includes a variety of headquarters and grantee reviews, inquiries, and investigations that are performed by permanent and contract staff. For certain investigations and legal issues, the OIG uses reimbursable agreements and Memoranda of Understanding with other federal OIGs.

The OIG requests $635,000 for the expenses of a three-person staff, related expenses, and required contract audit, investigative, training, legal support and support for the Council of the Inspectors General on Integrity and Efficiency as required by the Inspector General Reform Act (PL 110-409) passed by Congress in 2008. This legislation placed increased requirements on the office of each Inspector General. Inspector General activities will continue to emphasize the effectiveness and efficiency of program operations and compliance with laws and regulations affecting grant programs. This includes review and evaluation activities in connection with the *GPRA*, the Single Audit Act, and GISRA, as well as coordination and cooperation with other oversight offices on crosscutting issues and legislated reviews. Audit activities enable the Commission to produce audited financial statements, as other agencies are required to do under the Accountability of Tax Dollars Act. The request will cover expenses for necessary investigative and legal support, which will be obtained through reimbursable agreements and Memoranda of Understanding with other federal Offices of Inspector General.

Tables 6 and 7 show object class estimates for the request for the Offices of the Federal Co-Chair and the Inspector General, respectively.

Table 6 - Federal Co-Chair's Office Administrative Expenses
(Thousands of dollars)

	2009 Actual	2010 Enacted	2011 President's Budget	Change
Personnel Compensation	1,179	979	984	5
Personnel Benefits	297	254	256	2
Travel & Transportation	54	95	90	-5
Rent, Communications	151	116	126	10
Printing	1	5	5	0
Services	253	25	25	0
Supplies	10	11	11	0
Equipment	0	10	10	0
Total:	**1,945**	**1,495**	**1,507**	**12**

Table 7 - Inspector General's Office Administrative Expenses
(Thousands of dollars)

	2009 Actual	2010 Enacted	2011 President's Budget	Change
Personnel Compensation	312	328	334	6
Personnel Benefits	63	61	61	0
Travel & Transportation	6	5	5	0
Rent, Communications	27	26	28	2
Printing	0	1	1	0
Services	98	184	199	15
Supplies	2	2	2	0
Equipment	0	5	5	0
Total:	**508**	**612**	**635**	**23**

Commission Non-Federal Operating Expenses

Annual appropriations for ARC fund half of the costs to maintain a professional staff to provide technical support to the states and the federal staff in implementing Commission programs. These funds, and an equal contribution from member states, are deposited into a Treasury trust fund account. Together with prior year balances, these resources finance all non-federal Commission operating expenses.

The Commission's authorizing legislation specifies that ARC staff employed under the Trust Fund shall not be considered federal employees for any purpose. Accordingly, these professionals are neither state nor federal employees, even though they work directly for the joint federal-state partnership agency. An Executive Director, who is appointed by the states and the Federal Co-

Chair, manages this staff and is the Chief Executive Officer of the Commission. Table 8 shows the plan for financing Commission operations.

The request would provide minimum operations to support regional planning and programs at the requested level and to manage the approximately 2,000 ARC grants in force. Staff operations have included a significant effort by ARC to assure performance accountability and strong financial management, as well as to implement e-government business processes.

Table 8 - Financing for ARC Non-Federal Operating Expenses
(Thousands of dollars)

	2009 Actual	2010 Enacted	2011 President's Budget	Change
State Contribution	3,762	3,979	4,133	154
Federal Contribution	3,762	3,979	4,133	154
Prior year balances used	0	0	0	0
Total:	**7,524**	**7,958**	**8,266**	**308**

Each year, the states and the Federal Co-Chair must approve the Commission's operating budget. Following completion of appropriations action, final non-federal staffing decisions are made and must be approved at a Commission meeting of the member states with the Federal Co-Chair. Please refer to Table 9 below which shows ARC Non-Federal Operating Expenses. As a result of this consultative process, final allocations may differ from the estimates of operating expense amounts by object class for 2011.

ARC continues its management goal to develop effective and efficient management systems and processes and to promote a high-performance organizational culture supporting the Strategic Plan. Commission staff will continue to use available resources to promote innovation, improve core competencies and internal communications, enhance technical assistance, improve the monitoring and evaluation of project operations, stress customer service, and deploy affordable technology wherever possible.

Personnel compensation for Commission staff generally follows that of federal employees in the metropolitan area and benefits are budgeted accordingly. The FY 2011 budget includes an increase in personnel compensation necessary due to the $10 million increase in funding enacted over the last three fiscal years. This request reflects costs associated with the Commission's responsibility for funding its own private Defined Benefit pension plan for Commission staff. During fiscal 2011 the pension plan will require additional funding based on actuarial projections.

This budget reflects an increase in the Commission service category due to inclusion of additional audit costs necessary to comply with Circular A-136 requirements.

Table 9 - ARC Non-Federal Operating Expenses
(Thousands of dollars)

	2009 Actual	**2010 Enacted**	**2011 President's Budget**	**Change**
Personnel Compensation	4,077	4,503	4,731	228
Personnel Benefits	1,534	1,871	1,919	48
Travel & Transportation	92	109	98	-11
Rent, Communications, Utilities	717	680	703	23
Printing	21	36	36	0
Services	610	667	686	19
Supplies	57	60	60	0
Equipment	35	32	32	0
Total:	**7,143**	**7,958**	**8,265**	**308**

ARC Performance Assessment & Evaluation

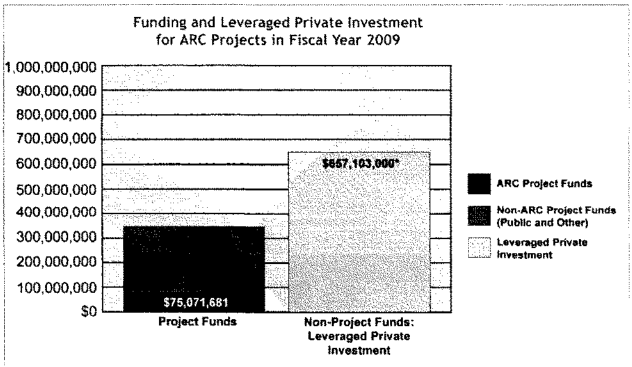
ARC assesses the overall progress of the Region over the long term through special research, fine-grained analyses of decennial census data, and monitoring the number of severely distressed counties over time. That information is essential for understanding remaining gaps between the Region and the rest of the country in terms of jobs, income, educational attainment, and quality of life. In addition to long term assessments, the Commission has conducted a program of performance measurement linked to the Strategic Plan under the GPRA process. ARC's performance measurement program can be discussed in three areas:

- Return on investment, documenting how well ARC leverages other resources;
- Project performance, using data collection and analysis in a management information system validated by site visits to document actual outcomes; and
- Independent project evaluations.

ARC performance is published annually in the Performance and Accountability Report, which is available to the general public on the ARC website.

Leveraged Public and Private Investment

ARC has a statutory responsibility to use its advocacy and grant activities to increase investment of public and private funds in the Region. Underinvestment of federal program funds and private sector resources in Appalachia was a fundamental concern when the Commission was founded, and it continues to be a barrier to self-sustained economic growth. Accordingly, the Commission stresses leveraging of all other resources to the maximum extent possible in its grant initiatives and undertakes to regularly monitor leveraging efficiency within and across grant areas by goal. ARC values how well its grants provide seed money for local investments that leverages other federal, state and local funds as well as private funds. For example, a recent evaluation of infrastructure projects funded by ARC between 1998 and 2004 leveraged total private-sector investment of $1.7 billion.[6] As shown in Figure 8, in 2009 each dollar of ARC funding across all investment areas leveraged $3.70 in non-ARC funding and leveraged $8.75 in private investment attracted as a result of the project.



* *One large-scale project that had limited ARC participation was not included in this total.*

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[6] *Evaluation of the Appalachian Regional Commission's Infrastructure and Public Works Program Projects.* Brandow Company and Economic Development Research Group, June 2007.

Project Performance

ARC has structured a systematic program of performance measurement for its grants in accordance with the Strategic Plan, and it tracks individual grant information and performance in an intranet database available to program managers. Data elements for specific project grants are linked to the measures in the annual performance plan for each strategic goal. The system not only provides a means to document output and outcome performance for each fiscal year and over time, but also provides management information that strengthens project oversight and troubleshooting. In addition, the system provides a means to identify lessons learned and best practices that can be shared across the Region. Site visits two years after funding are used to validate performance information reported in the project management system, based on a sample of 50–60 projects annually.

The Commission is developing web-based resources for grant development that will be enable prospective grantees to incorporate strong project performance measurement in project designs. [7] This innovative effort will not only improve performance measurement and outcomes, but support efficiency in ARC grant business processes and enhance reporting capabilities at all levels.

Since initiating its project measurement system under GPRA, the Commission has established a solid record of performance. Appendix B includes a summary of many of the measurements used in the past several years for various program objectives.

Independent Evaluations

Closely aligned with project performance tracking is a multi-year plan whereby ARC uses independent or external evaluations to determine how well projects have achieved their objectives. These evaluations place a special emphasis on assessing the utility and validity of output and outcome measures. Results provide important management information to the Commission for policy development purposes. Findings are also made available to state and local organizations that are in a position to affect future programming. Evaluation reports are typically published on ARC's website. Research under way in FY 2010 includes:

Education

- An examination how ARC education investments have impacted literacy rates and access to jobs, information, resources, and technology.
- An analysis of the economic costs and benefits of closing the educational attainment gap between Appalachia and the nation.

Energy

- An analysis of the impact of energy and environmental policies that are likely to be adopted by the current Congress, and an examination of how the Appalachian region will fare with respect to the rest of the nation when these policies are implemented.

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[7] *Development of Web-Based Resources for Grant Development, Performance Measurement, and Business Process Improvements*, with contract assistance from Silosmashers, Inc.

Asset-Based Development

- An examination of the economic growth in the area of sustainable forest resources management and wood product development.

Health

- An economic impact analysis of medical care access and cost disparities in Appalachia.

GOAL 1: Increasing Job Opportunities and Per Capita Income

Energy

In FY 2009, the Appalachian Regional Commission issued the report *Energy Efficiency in Appalachia: How Much More is Available, at What Cost, and by When?* 2009 (Revised May 2009). This report, completed by the Southeast Energy Alliance, indicated that energy consumption in the region is expected to increase 28 percent between 2006 and 2030, compared with a 19 percent increase forecast for the United States as a whole. Research indicates that strong policy interventions will be needed to promote energy-efficient purchases and practices that could help the Region meet its future energy needs while ensuring its continued economic and environmental health. This study assesses the long-term energy-efficiency gains that could be achieved by implementing an ambitious package of energy-efficiency policies throughout Appalachia. It examines the breadth of energy-efficiency resources in Appalachia; the timeframe for harnessing these resources; and the policies and programs that could most effectively translate these resources into energy savings, as well as the impact those policies and programs could have on jobs and wages in Appalachia. The engineering-economic modeling conducted in the study concludes that such policies could result in significant energy savings and positively impact the Appalachian economy.

Entrepreneurship

In FY 2008, the Appalachian Regional Commission issued the report *Creating an Entrepreneurial Appalachian Region: Findings and Lessons from an Evaluation of the ARC's Entrepreneurship Initiative1997-2005*, prepared by the Rural Policy Research Institute (RUPRI), the RUPRI Center for Rural Entrepreneurship, EntreWorks Consulting, and RTI International. The report evaluated ARC's Entrepreneurship Initiative (EI) in terms of both outcomes achieved by a sample of funded projects and broader policy impacts across the Region.

As identified through project final reports submitted to ARC, the EI led to the creation of at least 9,156 jobs, the retention of a further 3,022 jobs, the formation of 1,787 new businesses, and the provision of services to 8,242 businesses. ARC's cost per job created was $4,693, which compares favorably with other economic development efforts.

From 1997 to 2005, the EI made investments in 340 unique projects across the Region at an average investment of $3.3 million per state and a per capita investment of $1.82. The EI investment in projects that were completed as of 2005 leveraged an additional $72.8 million in private investment. When all the projects in the Entrepreneurship Initiative have been completed, the value of private investment leveraged is expected to rise to $109.9 million.

A sample of 88 projects was selected for an in-depth investigation of outcomes. Additional metrics were reported for these projects, including the following: more than 11,500 students and teachers participated in or received training in entrepreneurship education projects; 1,500 entrepreneurs took part in sector- focused activities; and another 1,620 entrepreneurs received training and technical assistance.

The evaluation team assessed the qualitative impacts of the sample projects through interviews with project leaders familiar with the investments, and from regional stakeholders and entrepreneurship experts with in-depth experience both in the Region and in entrepreneurship development. Common themes identified were that ARC EI investments:

- raised the profile of entrepreneurship as a development strategy in the Region;
- provided start-up funding for innovative projects;
- leveraged additional resources that helped some projects achieve scale and impact;
- facilitated networking and collaboration among practitioners; and
- helped change attitudes, particularly among youths and their teachers.

The evaluation team offered three sets of recommendations for ARC:

1. Entrepreneurship development initiatives should include assessments of existing capacity and capacity-building activities as part of the project design; they should be designed with a focus on the long term; they should be market driven and practice continuous improvement; and they should emphasize forming regional partnerships and collaborations.

2. The use of job creation as the sole performance measurement for entrepreneurship development investments paints an incomplete picture of the outcomes. Performance measurement would be enhanced by using additional metrics designed specifically for entrepreneurship projects.

3. ARC's "regional initiative" process should be standardized so that state program managers can more effectively plan for and promote the use of the resources; ARC should apply its proven experience to developing and delivering effective, region-wide education programs to help make the case for entrepreneurship as a core economic development strategy; and ARC should invest long-term in a "Next Generation Entrepreneurship Innovation Initiative" using lessons learned from the original EI and building on its momentum.

Tourism and Asset-Based Development

In FY 2007, Regional Technology Strategies (RTS) undertook a program evaluation of ARC's tourism, cultural heritage, and asset-based development projects. The evaluation will verify project outcomes and assess the utility and validity of specific performance measurements for monitoring and evaluating these types of projects; as well as identifying future policy options, reporting concerns, and lessons learned. RTS has completed examinations of approximately 100 tourism, cultural heritage, and asset-based development projects through surveys, interviews with ARC staff and stakeholders in the thirteen Appalachian states, and visits to selected sites. A draft report of the evaluation will be completed in 2010.

Capacity Building

In FY 2004, the Appalachian Regional Commission issued the report *Evaluation of the Appalachian Regional Commission's Community Capacity-Building Projects*, prepared by the Westat Corporation. The purpose of the evaluation was to assess factors associated with successful capacity-building projects and to recommend a range of performance measures that could be used to document the impact of successful initiatives. One hundred projects were examined in the study, all of which were funded by ARC between 1995 and 2003.

Total ARC funding for the projects was roughly $7 million. The report's evaluation includes both quantitative and qualitative findings on outcomes, based on multiple sources (i.e., documentary evidence, interviews, and case studies) and incorporated lessons learned about community capacity building, including studies conducted by various foundations, private nonprofits, academic researchers, and federal agencies. Findings of the study are summarized below.

Findings: Most (70 percent) of the 179 outcomes proposed by interviewed projects were successfully achieved. Of the remaining outcomes, 9 percent had not been achieved, 10 percent were still open, and 11 percent lacked information on attainment.

Recommendations: ARC application materials for community capacity-building projects should provide information and examples to help applicants execute and document their approach and outcomes more accurately; ARC should work more closely with applicants during this process. In addition, ARC should provide grantees with written materials on data collection and analysis practices.

GOAL 2: Strengthening the Capacity of the People to Compete in the Global Economy

Education

A March 2006 evaluation of the ARC–Oak Ridge National Laboratory Math-Science-Technology Summer Institute by the Academy for Educational Development assessed the effectiveness of the program in encouraging more Appalachian high school students to continue their studies beyond high school and to pursue careers in science, technology, engineering, and math. It also assessed how the program helped participating high school teachers raise the level of math, science, and technology instruction in their schools. The findings are based on data collected from eight groups of participants attending the summer institute between 1997 and 2004.

The study found that participation in the summer institute influenced 24 percent of students to take more science classes and 22 percent to take more math classes when they returned to high school. Slightly more than half the students reported that their summer institute experience reinforced prior decisions about the science and math courses they had already chosen to take. Students also reported that the summer institute had reinforced their intention to go to college and reduced some of the barriers. Ninety-six percent of the student participants who had graduated from high school at the time of the survey had continued their formal education beyond high school, with more than half receiving degrees in science, technology, engineering, or math fields.

Participating teachers reported that they had incorporated activities and approaches learned at the summer institute into their classrooms: 77 percent reported that they drew on the experience for explanations and examples; 52 percent reported that they drew on the experience for classroom demonstrations; and 50 percent reported that they had incorporated new knowledge into their lab experiments.

GOAL 3: Develop and Improve Appalachia's Infrastructure to Make the Region Economically Competitive

Infrastructure and Public Works

In FY 2007, the Brandow Company and Economic Development Research Group completed the ARC report *Evaluation of the Appalachian Regional Commission's Infrastructure and Public Works Program Projects, 2006*. The evaluation examined a sample of 104 completed ARC infrastructure projects that had been funded between 1998 and 2004, including industrial parks and other industrial sites, access roads, business incubators, water and sewer systems, housing, and telecommunications. The sample projects represent 25 percent of the completed infrastructure projects that had been funded during this period. Of the 104 projects sampled, 78 were non-residential economic development projects; 22 were community development projects, including residential water and sewer projects; and four were housing projects. The number of infrastructure projects funded during this period accounted for about 49 percent of ARC area development projects.

Findings of the evaluation included the following:

- *Jobs.* The sampled projects, which received $29.4 million in ARC funding, directly produced 17,795 new jobs and retained 9,580. In addition, an estimated 25,341 new jobs were created by the indirect effects of the project. ARC funds created an average of one new direct job for every $1,652 of ARC investment. On average, industrial parks created 1,086 jobs per project; commercial water and sewer improvements created 304 jobs per project; business incubators created 271 jobs per project; telecommunications created 230 jobs per project; and access roads created 212 new jobs per project.

- *Personal Income.* The new jobs created or retained by these projects led to an increase of $638 million annually in new wages for the jobs created directly by the projects, $325 million annually in wages for retained jobs, and another $692 million in wages from indirect jobs.

- *Tax Revenue.* The new projects yield $13.3 million per year in state income tax revenue, $16.5 million per year in state and local sales tax revenue, and $14.2 million per year in local property tax revenue. The total of annual state income tax and local property tax revenue almost equals the amount of the ARC investment.

- *Private Investment.* The new projects have leveraged total private-sector investment of $1.7 billion: $947 million in direct private non-project investment and $753 million in induced non-project private investment.

GOAL 4: Building the Appalachian Development Highway System

ADHS Economic Impact

In October 2006, Economic Development Research Group completed the study *The Impact of Highway Investments on Economic Growth in the Appalachian Region, 1969–2000: An Update and Extension of the Twin County Study*. The report updated the 1995 "twin county" study by Andrew Isserman and Terance Rephann, which found statistically significant differences in economic growth rates between Appalachian counties and their non-Appalachian counterparts during the years 1965 to 1991, and also found that counties served by the Appalachian Development Highway System had higher rates of income, population, and per capita income growth than similar non-Appalachian counties. The new study extended the analysis to the year 2000 and assessed whether the amount, characteristics, and timing of ADHS investments can explain some of the differences in economic outcomes. The study, which used survey-based data, showed that there is a robust statistical link between ADHS investments and differential income and earnings growth between Appalachian counties and similar non-Appalachian counties.
A key finding of the study was that Appalachian counties with open ADHS segments had higher income growth than their twin counties, with the ADHS counties posting 200 percent more income growth over the 1969–2000 period. In comparison, income growth for all Appalachian counties during the period was 131percent higher than income growth in the non-Appalachian twin counties.

The overall performance during this period of the Appalachian counties studied, however, should not mask the struggles that some areas of the Region have experienced: performance of the northern Appalachian counties lagged behind the non-Appalachian twins', and, across the Region, the performance of smaller metropolitan areas fell far behind their non-Appalachian counterparts'.

In FY 2008, Cambridge Systematics completed a report on the economic impact of completing the Appalachian Development Highway System. Specifically, the report assessed how the corridor improvements will enhance the connectivity of Appalachia's people and businesses to other highway facilities, multimodal transportation, and markets. The work included building a regional travel demand model to estimate travel demands, as well as user benefits that would be realized by the completion of ADHS corridors and the resulting network improvements in moving goods and people to, from, within, and across the Region.

- Completion of the ADHS would generate 80,500 jobs by 2035, and $3.2 billion annually in increased wages.
- Greater market accessibility would result in $2.1 billion annually in value-added activity in Appalachia.
- More than 65 percent of the benefits to freight movement would accrue to areas outside of Appalachia, suggesting the importance to the national economy of completing the ADHS.
- Savings in travel time, fuel and non-fuel operating costs, and increased safety would reach $1.6 billion annually by 2020.

Analysts estimated user benefits for freight, commuting, tourism, and other business and non-business traffic; then, using these data, estimated the regional economic development benefits from the enhanced competitive position of industry in the Region, increased roadside business and tourism, increased transportation reliability, and increased commuting areas, as well as national benefits due to congestion relief. The study also developed several types of benefit-cost assessments, including an overall assessment of regional travel efficiency and economic development benefits, as well as national efficiency benefits.

APPENDIX A
Designated Distressed and At-Risk Counties

The Commission has targeted special assistance to severely distressed counties in the Region since 1983. For the 2010 program year, there are 82 counties so designated, and they receive a special allocation of one-third of all the ARC grant funds allocated to the states. States invest additional funds in these areas from their allocations under the Area Development program. At the same time, ARC allows up to 80 percent participation in grants in the severely distressed areas, 50 percent in areas considered transitional, 30 percent in areas that are considered competitive, and it virtually eliminates funding to areas that have attained at least parity with the rest of the country.

In 2005, the Commission further designated counties that are considered at risk of becoming severely distressed. This policy acknowledges that, while the distressed county designations are important for focusing on the counties most clearly in need of pre-developmental assistance, there is also a need to monitor the economic performance of areas that are relatively disadvantaged but not considered severely distressed.

In FY 2006, the Commission adopted a new policy for the economic classification to its counties. While the previous system is valid, ARC now utilizes an index-based county economic classification system which more closely aligns with the agency mission to achieve economic parity with the nation and is easily computable on an annual basis. The index monitors the economic status of the Appalachian counties relative to all counties in the nation. The Commission's previous distress measures: the three-year average unemployment rate, the per capita market income, and the poverty rate are used to compute the index.

In its 2008 reauthorization, 10 new counties were added to the ARC region. Of these new counties, three are located in Ohio, three in Kentucky, two in Tennessee and two in Virginia.
Figure 1 is a map of the Region that shows the location of distressed, at-risk, transitional, competitive, and attainment counties for fiscal year 2009.

Distressed Counties

Distressed counties are determined by taking the worst 10 percent of the nation's counties and then identifying the Appalachian counties within this part of the worst quartile group.

For FY 2010, 82 counties, or 19 percent of the 420 counties in the Appalachian Region, are designated as economically distressed. This is an increase of 1 county since FY 2009. Counties designated for FY 2010 are as follows:

Distressed Counties

- Alabama (2) - Hale and Macon

- Kentucky (40) – Adair, Bath, Bell, Breathitt, Carter, Casey, Clay, Clinton, Cumberland, Elliott, Estill, Floyd, Harlan, Hart, Jackson, Johnson, Knott, Knox, Lawrence, Lee, Leslie, Letcher, Lewis, Lincoln, Magoffin, Martin, McCreary, Menifee, Metcalfe, Monroe, Morgan, Owsley, Perry, Powell, Robertson, Rockcastle, Russell, Wayne, Whitley, and Wolfe

- Mississippi (12) - Benton, Chickasaw, Choctaw, Clay, Kemper, Marshall, Montgomery, Noxubee, Panola, Webster, Winston, and Yalobusha
- Ohio (6) - Athens, Meigs, Monroe, Morgan, Pike, and Vinton
- Pennsylvania (1) - Forest
- Tennessee (9) - Clay, Cocke, Fentress, Grundy, Hancock, Johnson, Lawrence, Pickett, and Scott
- Virginia (1) - Dickenson
- West Virginia (11) - Braxton, Calhoun, Clay, Lincoln, McDowell, Mingo, Roane, Summers, Webster, Wirt, and Wyoming

At-Risk Counties
ARC recognizes and closely monitors transitional counties that are "At Risk" of distress. At-risk counties are identified by taking the residual of the worst quartile counties and designating them accordingly.

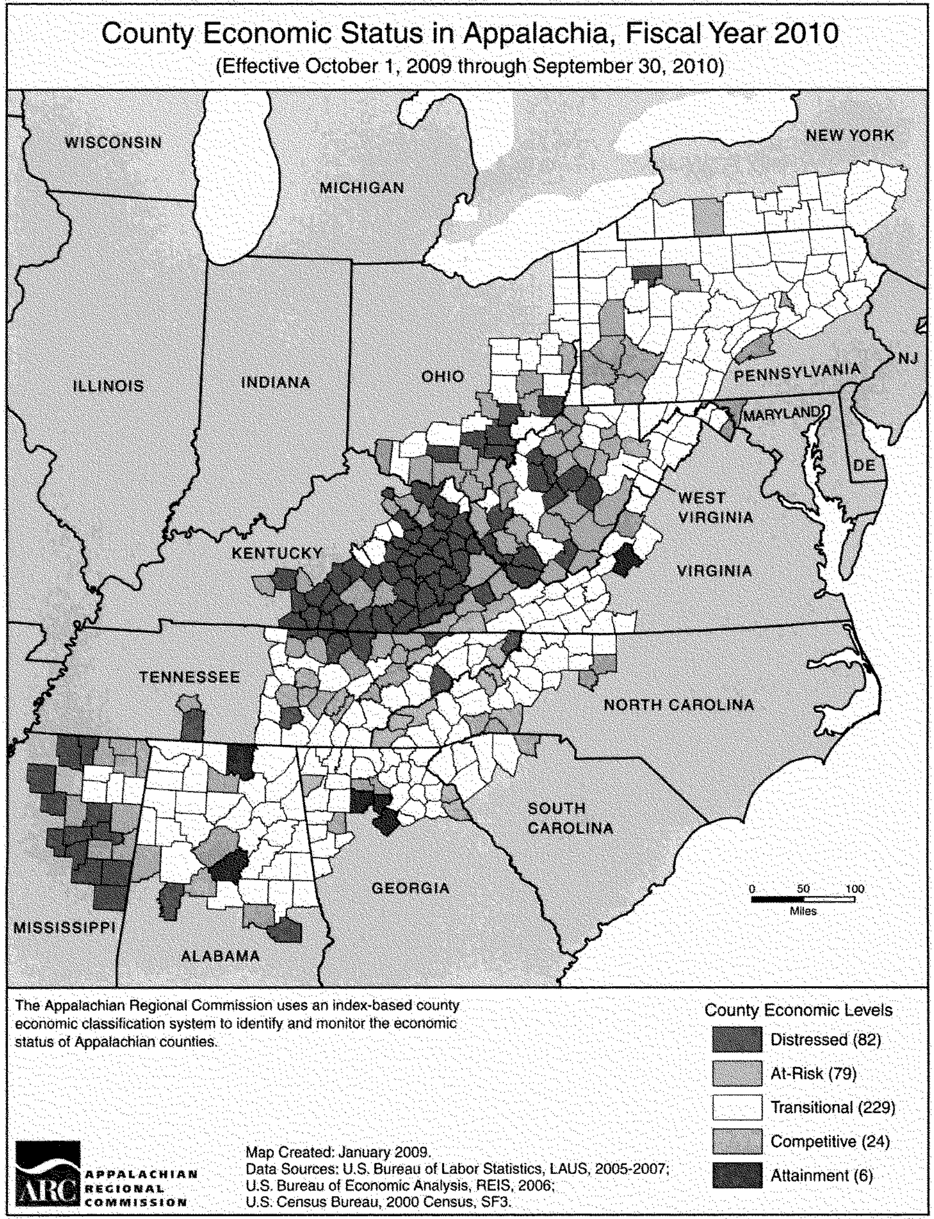
- Alabama (2) - Bibb and Pickens
- Georgia (3) – Chattooga, Elbert, and Hart
- Kentucky (8) - Edmonson, Fleming, Green, Laurel, Nicholas, Pike, Pulaski, and Rowan
- Mississippi (8) - Alcorn, Calhoun, Lowndes, Monroe, Oktibbeha, Prentiss, Tippah, and Tishomingo
- New York (1) - Allegany
- North Carolina (6) - Cherokee, Graham, Mitchell, Rutherford, Swain, and Yancey
- Ohio (9) - Adams, Gallia, Guernsey, Jackson, Jefferson, Lawrence, Noble, Perry, and Scioto
- Pennsylvania (1) - Fayette
- South Carolina (1) - Cherokee

- Tennessee (15) - Bledsoe, Campbell, Carter, Claiborne, Grainger, Jackson, Lewis, Meigs, Morgan, Overton, Rhea, Union, Van Buren, Warren, and White

- Virginia (5) - Buchanan, Lee, Russell, Scott, and Wise

- West Virginia (20) – Barbour, Boone, Doddridge, Fayette, Gilmer, Greenbrier, Lewis, Logan, Mason, Mercer, Monroe, Nicholas, Pocahontas, Ritchie, Taylor, Tucker, Tyler, Upshur, Wayne, and Wetzel

Figure 1



County Economic Status in Appalachia, Fiscal Year 2010

(Effective October 1, 2009 through September 30, 2010)

The Appalachian Regional Commission uses an index-based county economic classification system to identify and monitor the economic status of Appalachian counties.

County Economic Levels

- Distressed (82)
- At-Risk (79)
- Transitional (229)
- Competitive (24)
- Attainment (6)

Map Created: January 2009.
Data Sources: U.S. Bureau of Labor Statistics, LAUS, 2005-2007;
U.S. Bureau of Economic Analysis, REIS, 2006;
U.S. Census Bureau, 2000 Census, SF3.

APPENDIX B
Project Performance Review

ARC's project performance measurement program was designed to accomplish two primary objectives. The first is compliance with the GPRA in measuring the outputs and outcomes of ARC projects. The second objective is creation of a process that allowed for both feedback from grantees and analysis of funded projects in an effort to help improve programming.

Measuring project performance involves three components:

- Project data collection and analysis through use of a management information system;
- Site visits to validate actual outcomes of a sample of projects; and
- Independent project evaluations.

These three components together support GPRA reporting and compliance, as well as help ARC glean "lessons learned" from previously funded grants. By structuring the program in this manner, ARC has made the GPRA a management tool and a valuable resource in determining program effectiveness.

Performance results for each of ARC's goal areas across recent years are presented in the following pages.

SUMMARY OF ACHIEVEMENTS

Performance Goals and Results for Fiscal Year 2009 Projects

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2009 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
Jobs and Income		
Outcome Goal: 20,000 jobs created or retained	21,183 jobs created or retained	Exceeded goal
Leveraging Goal: Achieve a 4:1 ratio of leveraged private investment to ARC investment for projects in General Goal 1	Achieved a 3:1 ratio	Met 75% of goal
Targeting Goal: Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 1	Directed 47% of funds*	Met 94% of goal
Competitiveness		
Outcome Goal: 20,000 students/ trainees with improvements	23,764 students/trainees with improvements	Exceeded goal
Matching Goal: Achieve a 1:1 ratio of non-ARC to ARC investment for projects in General Goal 2	Achieved a 1:1 ratio	Met goal
Targeting Goal: Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 2	Directed 68% of funds*	Exceeded goal
Infrastructure		
Outcome Goal: 20,000 households served	25,981 households served	Exceeded goal
Matching Goal: Achieve a 2:1 ratio of non-ARC to ARC investment for projects in General Goal 3	Achieved a 6:1 ratio	Exceeded goal
Targeting Goal: Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 3	Directed 61% of funds*	Exceeded goal
Highways		
Outcome Goal: 25 additional miles (net increase) of the ADHS opened to traffic	Opened 10.5 additional miles (net increase) of the ADHS to traffic	Met 42% of goal

** ARC exceeded its overall goal of investing 50% of total ARC nonhighway funds in projects that benefit distressed counties or areas. Project funds are included if the project* primarily or substantially *benefits distressed counties or areas.*

Investment Summary for FY 2009 Projects

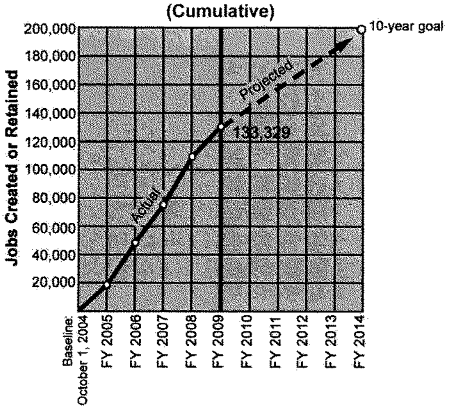
LEVERAGING, MATCHING, AND TARGETING SUMMARY for All ARC Nonhighway Projects Fiscal Year 2009		
Leveraged private investment	$657,103,000*	9:1 ratio of leveraged private investment to ARC investment
Non-ARC matching project funds	$277,414,457	4:1 ratio of non-ARC project investment to ARC project investment
ARC project funds targeted to distressed counties or areas	$44,107,753**	59% of total ARC project funds directed to projects that benefit distressed counties or areas

** One large-scale project that had limited ARC participation was not included in the calculations for this ratio.*

*** Project funds are included if the project* primarily or substantially *benefits distressed counties or areas.*

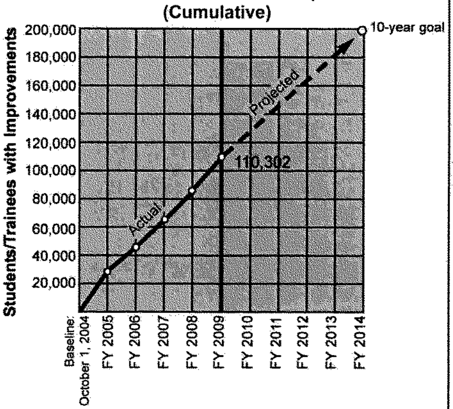
Progress toward ARC Strategic Plan Ten-Year Performance Goals
Fiscal Years 2005–2014

Goal 1: Jobs Created or Retained (Cumulative)



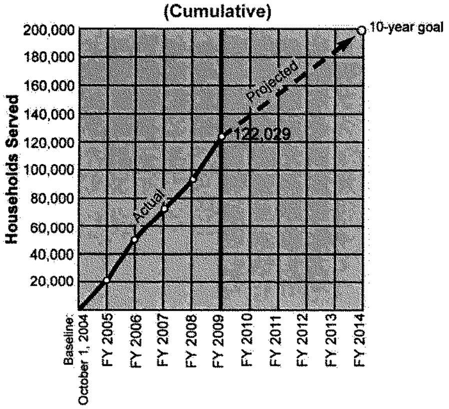
Ten-Year Performance Goal:
200,000 jobs will be created or retained.

Goal 2: Students/Trainees with Improvements (Cumulative)



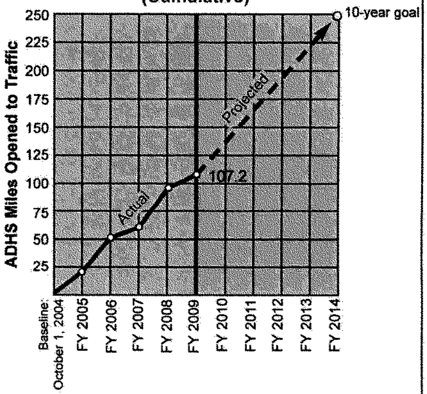
Ten-Year Performance Goal:
200,000 citizens will benefit from enhanced education and job-related skills.

Goal 3: Households Served (Cumulative)



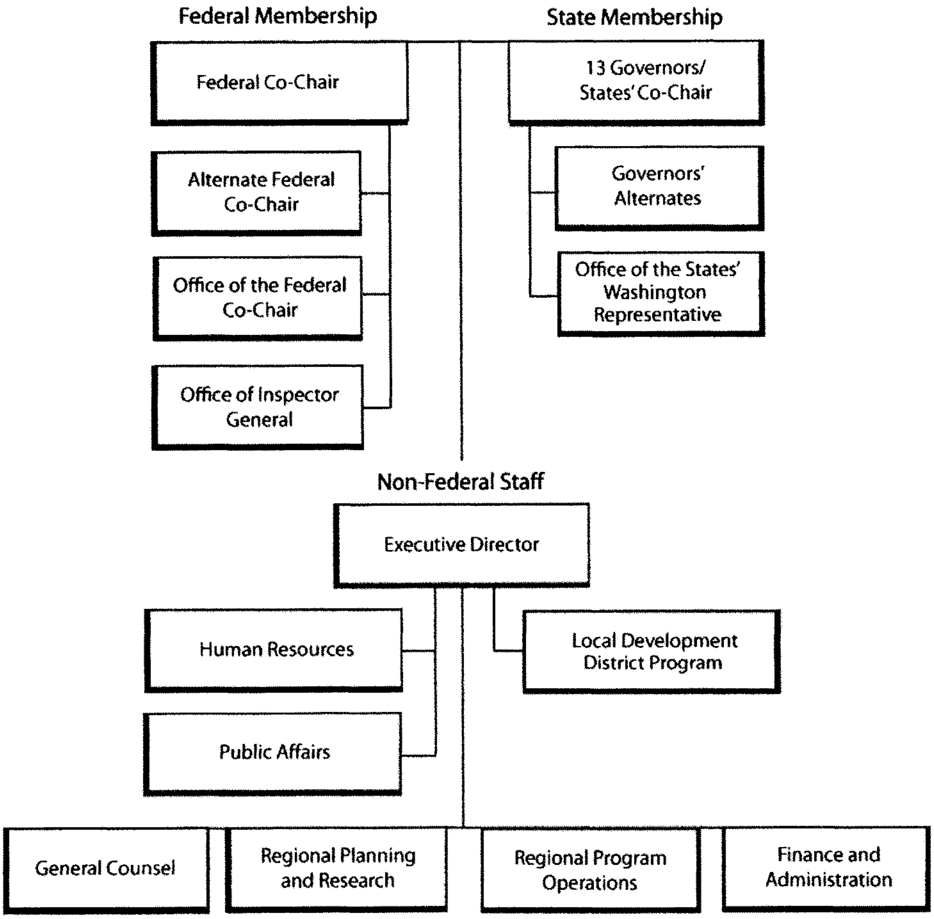
Ten-Year Performance Goal:
200,000 households will be served with new or improved water and sewer infrastructure.

Goal 4: ADHS Miles Opened to Traffic (Cumulative)



Ten-Year Performance Goal:
250 additional miles (net increase) of the Appalachian Development Highway System will be opened to traffic.

APPENDIX C
ARC Organizational Chart


Federal Membership
State Membership
Federal Co-Chair
13 Governors/ States' Co-Chair
Alternate Federal Co-Chair
Governors' Alternates
Office of the Federal Co-Chair
Office of the States' Washington Representative
Office of Inspector General
Non-Federal Staff
Executive Director
Human Resources
Local Development District Program
Public Affairs
General Counsel
Regional Planning and Research
Regional Program Operations
Finance and Administration

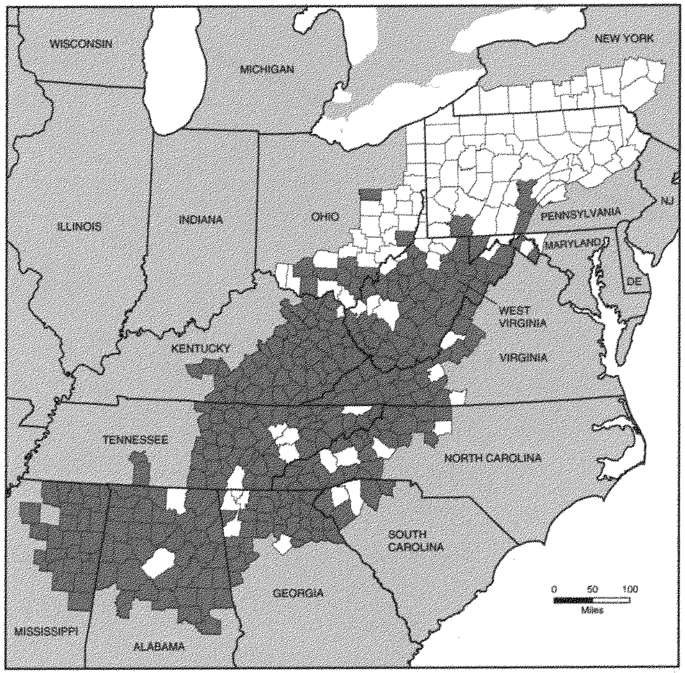
APPENDIX D

High-Poverty Counties in the Appalachian Region

(Counties with Rates At Least 1.5 Times the U.S. Average)

1960

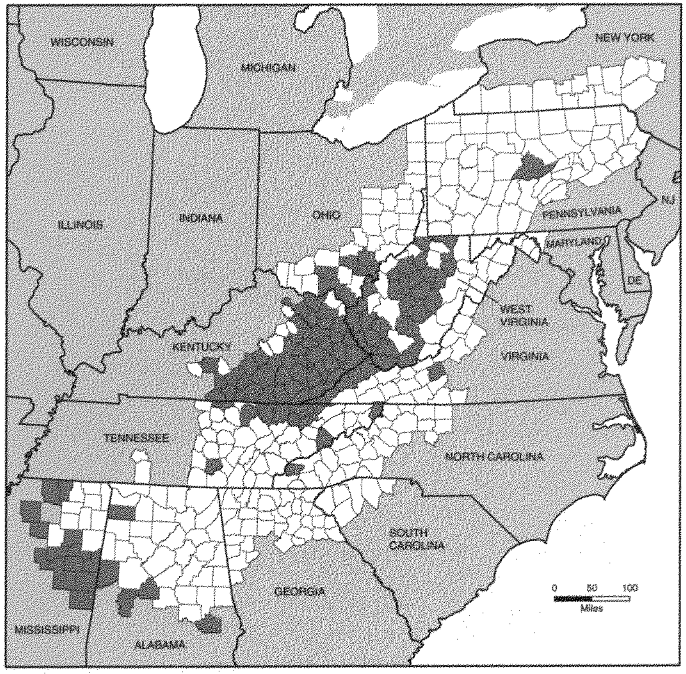
295 High-Poverty Counties



Data Source: Office of Economic Opportunity data from U.S. Dept. of Agriculture, Economic Research Service, 1960.

FY 2010

116 High-Poverty Counties



Data Source: U.S. Department of Commerce, Census Bureau, 2000.

DELTA REGIONAL AUTHORITY

FISCAL YEAR 2011
BUDGET JUSTIFICATION

2009 ANNUAL REPORT

DELTA REGIONAL AUTHORITY
236 Sharkey Avenue / Suite 400 / Clarksdale, MS 38614 / (662) 624-8600 / Fax: (662) 624-8537 / www.dra.gov

February 2, 2010

I am pleased to present the Delta Regional Authority's (DRA) detailed budget justification for fiscal year 2011. The Authority supports the President's recommendation of $13 million.

Each year as we come together in the budget process, I always stress our position, and I repeat that position now: The Authority looks forward to working with the President and the Congress to improve our region's economy and the lives of the almost 9.5 million people who live here. We are here to serve our region.

We know, by any objective measure, the Authority has served and is serving well its 252 counties and parishes. Our metrics show that the Authority and its partners are effective in creating and retaining jobs, even in this difficult economic environment. We are able to do this because of our role as a regional planning entity and a coordinator of federal investments. Our collaborations with other agencies prove the Authority's programs do not duplicate, but rather complement, other federal programs in the region, and we know fragmentation is reduced.

DRA and our partners are effective as together we leverage funds, create climates of opportunity, and attract private-sector investment for sustained economic improvement. With a staff of just 14 people, the Authority has refined its highly successful grant program, and the Authority provides an effective, accountable mechanism for federal investment in the region.

This justification book presents in great detail DRA's financial position, project investments and contains financial reports, projected outcomes and a review of the Authority's activities. Please note the 2010 appropriation was 13 million, and it allocated $1.5 million to administrative expenses, with the balance of $11.5 million going toward grants to states, technical assistance and other special initiatives. Again, as stated above, we support President Obama's 2011 recommendation of $13 million, and we expect to expend $1.5 million on administration, with the balance of $11.5 million being spent on grants to states, technical assistance and other special initiatives.

Thank you for your support of the important work we do. Should you have any questions, please do not hesitate to call me at (662) 624-8600, ext. 10.

Sincerely,

Pete Johnson
Federal Co-Chairman

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DELTA REGIONAL AUTHORITY
Fiscal Year 2011 Budget Submission

FINANCIAL INFORMATION

Table 1 shows the federal share of the administrative expenditures for the Delta Regional Authority (DRA) Office of the Federal Co-Chairman and the DRA's Central Office, respectively. Per the Authority's law, these two offices are operated independently. These administrative expenses are only a small percentage of DRA's overall Budget; more than 88 percent of DRA's appropriation funds the Authority's Federal Grant Program.

Table 1

Numbers are in Thousands of Dollars, unless Otherwise Noted	FY 2008 Actual	FY 2009 Actual	FY 2010 Budget	FY 2011 Request
Federal Co-Chairman's Office				
Salaries and Contractual Services	$489.2	$464.1	$505.8	$505.8
Personnel Benefits	123.2	111.7	125.8	125.8
Travel	51.7	25.8	41.0	41.0
Office Expense	87.9	96.3	93.2	93.2
Supplies and Materials	1.0	0.0	1.0	1.0
Seminars/Meetings	22.5	2.5	5.0	5.0
Communications	7.0	4.1	16.2	16.2
Miscellaneous	5.3	2.4	9.0	9.0
Subtotal	**$787.8**	**$706.9**	**$797.0**	**$797.0**
DRA Central Office				
Salaries and Contractual Services	$418.5	$435.7	$447.1	$447.1
Personnel Benefits	95.6	101.0	120.4	120.4
Travel	22.0	26.8	30.1	30.1
Office Expense	66.2	75.7	70.6	70.6
Supplies and Materials	0.0	0.0	0.0	0.0
Seminars/Meetings	16.4	8.4	10.5	10.5
Communications	8.9	4.5	11.7	11.7
Washington Office	11.6	12.1	12.6	12.6
Subtotal	**$639.2**	**$664.2**	**$703.0**	**$703.0**
Grand Total	**$1,427**	**$1,371**	**$1,500**	**$1,500**

Notes to Accompany Table

Fiscal Year 2011 Budget Submission Request

DRA requests an appropriation of $13 million, the amount recommended by President Obama. Of this funding, $1.5 million will be utilized for administrative expenses, while the bulk of the appropriation of $11.5 million will fund DRA's federal grant program (FGP), local technical assistance, and special project funding with support from the region's local development districts.

The tables listed above reflect a small decrease from the FY 08 to FY 09 budget cycle. This is primarily due to managed decreases in budget and personnel reductions. The Federal Co-Chairman's office had a reduction in staff and services needed that will be fulfilled in the coming fiscal years. Additionally, the Office of the Delta Regional Authority was able to consolidate and conserve some of the operating expenses resulting in a lower cost to the government. The necessary funding for any incoming appointments that the administration selects along with a reasonable amount of additional expenses will be provided in FY 10 and FY 11.

DRA has worked hard in its first nine years to ensure all resources are used efficiently and effectively, benefiting the largest number of people possible in the region with maximum focus on project impact to DRA constituents. All eight DRA partnering states are facing debilitating restricted fiscal measures brought about by the economic downturn and constrained revenues. DRA's aggressive budgeting process has maintained a consistent assessment by leveraging an equal share of funding between the states and the federal government. The expenses and budgets listed above have been scrutinized by DRA staff members, the federal co-chairman, and representatives of the eight governors in the region.

Everyone associated with the Authority will continue to ensure that the taxpayers' money is invested wisely while looking for even better methods of doing business than in the past.

DELTA REGIONAL AUTHORITY FISCAL YEAR 2009 PERFORMANCE REPORT

INTRODUCTION

The Government Performance and Results Act of 1993 ("GPRA") requires all federal agencies to submit a report to Congress on actual program results at the end of each fiscal year along with its audited financial statements outlined in OMB 01-09. This report incorporates Delta Regional Authority's ("DRA" or "the Authority") goals and objectives, as well as other projects designed to assist the 252 county/parish area in the eight-state territory ("the Region") that DRA serves.

OVERVIEW OF THE AUTHORITY

DRA, created by Congress in 2000, is a federal-state partnership serving a 252-county/parish area in an eight-state Region. Led by two presidential appointees, Federal Co-Chairman (FCC) and Alternate Federal Co-Chairman (AFCC), along with a State Co-Chairman and the governors of each participating state (see http://www.dra.gov/about/board-members/Default.aspx), the Authority is designed to remedy severe and chronic economic distress by stimulating economic development and fostering partnerships that will have a positive impact on the Region's economy. The Authority helps economically distressed communities to leverage other federal and state programs which are focused on basic infrastructure development, transportation improvements, business development, and job training services. Federal law requires at least 75 percent of funds must be invested in distressed counties and parishes and pockets of poverty, with 50 percent of the funds earmarked for transportation and basic infrastructure improvements. In Fiscal Year 2009, DRA invested 66% in distressed counties and parishes and pockets of poverty, and 85.16% of the funds earmarked for transportation and basic infrastructure improvements.

At the local level, the Authority will coordinate efforts with a combination of agencies. Assisting the Authority will be local development districts ("LDDs"), regional entities with a proven track record of helping small municipalities, counties and parishes improve basic infrastructure and stimulate growth.

DRA will also partner with USDA's Rural Development Administration ("RDA"). Through their network of state and local offices, the RDA will assist the Authority not only with project evaluation criteria for proposed projects, but with the administration of projects as well. DRA also partners with Economic Development Association (EDA), which assists with DRA grant administration. Additionally, the Authority should work with each member state's Department of Economic Development, local development districts, Department of Transportation, governor's offices, Department of Health, and city and county government.

DELTA REGIONAL AUTHORITY FEDERAL GRANT PROGRAM 2009

Governors' project recommendations demonstrate the Authority's continued emphasis of the four funding priority areas which are: basic public infrastructure, transportation infrastructure, business development, and workforce development with emphasis on job creation and job retention. Basic public and transportation infrastructure project funding totaled $8,538,787, which is 81.35 percent (well above the 50 percent required by statute) of the total fiscal year 2009 project funding allocation of $10,496,000. Also, investment in distressed counties totaled $9,280,356, which is 88.42 percent (well above the 75 percent required by statute) of the total fiscal year 2009 project funding allocation of $10,496,000.

DRA's Fiscal Year 2009 grant funds attracted $52,419,205 in additional project funding, a ratio of 5.17 to 1, and $203,450,000 in leveraged private investment, a ratio of 20.05 to 1.

Overall:

- DRA has contributed:
    - $74,563,877 to 510 projects in its eight-state region for total project costs of $434,701,964.
- DRA total project cost includes an additional leverage of:
    - $353,847,039 in other federal, state and local funds, which is a ratio of 4.75 to 1.
- In addition, private funds invested in these projects total:
    - $1,544,375,000, which is a ration of 20.71 to 1, private dollars to DRA dollars.
- Total leveraged investment of:
    - $1,898,222,039 including federal, state, local and private funds produced a ratio of 25.46 to 1.
- Since the inception of DRA Federal Grants Program, 294 projects have been completed with the following results:
    - 5,472 jobs created

  - 5,313 jobs retained
  - 11,860 families received improved water and sewer
  - 3,315 individuals trained for jobs

- DRA now has 140 projects which are active with projected outcomes including: 22,587 families who will receive improved water and sewer, 13,992 jobs which will be created, 9,455 jobs which will be retained and 589 individuals who will be trained for jobs already committed to this Authority.

A further breakdown of these results can be seen in our comprehensive listing of our Federal Grant Program. These results are broken down by the DRA's eight partnering states and also by fiscal year. Please go to www.dra.gov and look under State Grant Program.

INNOVATIVE READINESS TRAINING

In July 2009, the Delta Regional Authority partnered with the Department of Defense for its program called Innovative Readiness Training. The IRT program gives the military the ability to train its medical personnel by providing medical care in rural, underserved areas.

The communities of Clarksdale, Mississippi, and Hayneville, Alabama, were the two projects in the DRA region selected by the Pentagon for the 2009 IRT program. For two weeks, Army Reserve units lived in these communities and provided free medical assistance to citizens who were in need of medical care.

"We were very excited to work with the Pentagon on these two projects, and we think the release of the video recently distributed will provide another example of DRA being a coordinator of federal programs into the region," said DRA Federal Co-Chairman Pete Johnson. "This program provides medical service to communities in need and provides training for our military for their work overseas. It is a win-win for everyone involved."

In Clarksdale, 792 patients were provided dental and vision exams which included distributing 152 eye glasses to adults and children. Veterinarian services treated over 450 dogs and cats from the local animal shelter. In Hayneville, there were 850 patients including 90 children seen for primary care issues with over 400 pharmacy prescriptions.

The DRA's role was to assist in the coordination of these projects from the application and planning stages to the project implementation between the communities and the military. Additionally, DRA is on the advisory board of the IRT program.

DRA MULTIMODAL INITIATIVE:

"ASSETS, NEEDS AND RECOMMENDATIONS" REPORT TO CONGRESS AND SECRETARY OF TRANSPORTATION

The Delta Regional Authority released its multimodal transportation plan for the region in 2008. The Authority had been mandated by Congress to develop a comprehensive multimodal strategic plan. That mandate was included in the 2005 national highway act. During the fall of 2007, the DRA hosted a series of public meetings to gather information on multimodal transportation in the region.

"When Congress directed us to prepare a report on the multimodal transportation assets and needs in our region, along with recommendations, we were delighted to take on the task," says Pete Johnson, the DRA's FCC. "It fits perfectly into the DRA's role as a planner, a coordinator of resources and an advocate for the Delta. This report complements our Delta Development Highway System plan, which was released in 2007. When the DRA was created by Congress in 2000, one of the investment priorities outlined was the transportation infrastructure of the region. We've made numerous infrastructure investments in recent years."

Thousands of hours of work during a period of more than a year were devoted to compiling the multimodal transportation plan. Eighteen meetings were held across the region, and input was received from more than 500 key players. The assets and needs were identified for highways, bridges, intelligent transportation systems, freight rail, passenger rail, waterways, ports, locks and airports. Then, recommendations to improve the multimodal transportation system were made.

"Our report is a definitive one because of this intense outreach effort," Johnson says. "We worked closely with federal, state and local agencies to ensure that this plan dovetails into their efforts. We also received guidance from the National Surface Transportation Policy and Revenue Study Committee's "Transportation for Tomorrow" report, which was released in December. This effort provided the guiding principles for our recommendations: safety, efficiency, congestion reduction, economic development, energy concerns and environmental concerns."

The same consulting team that developed the Delta Development Highway System plan -- Wilbur Smith Associates, the Michael Baker Corp. and Neel-Schaffer Inc. -- came together again to work with the DRA on the multimodal transportation plan.

"More than $200 billion in investments will be needed during the next 25 years to ensure the efficient movement of people and goods in the Delta," Johnson says. "This region has become a vital cog in the world logistics and distribution network. Our report shows why making these investments will be a wise move as this country competes in the increasingly complex global economy of the new century."

Please click here to view the Multimodal Assets and Needs in the DRA Region:

- FCC Letter
- TOC and Abbreviations.pdf
- Executive Summary
- Introduction
- SAFETA-LU
- Regional Coordination
- Assets and Needs
- Highways and Bridges
- Intelligent Transportation Systems
- Freight Rail
- Passenger Rail
- Aviation
- Waterways Ports and Locks
- Acknowledgements
- Appendix A – Stakeholder Reported Needs
- Appendix B – Certification Letters
- Appendix C – Delta Development Highway System
- Cover

REVISED COMPREHENSIVE DEVELOPMENT PLAN

A great step forward for DRA is its second five-year Regional Development Plan, which will guide the Authority in an even more business-like way. DRA is especially pleased to highlight some of our system improvements:

- Investment targets for the Authority's federal grant program based on empirically derived growth factors,

- Extremely detailed timelines with appropriate milestones and (efficiency) performance benchmarks,

- Readily adaptable (effectiveness) performance measures to be directly integrated into DRA's PAR and PART processes, and

- A more-systemic, coordinated approach for federal investment into projects to improve local and state economies.

The vision of the Delta Region is to achieve a pattern of sustained growth by increasing capital investment and productivity. This will establish the region as a magnet for talent and innovation, and will nurture a sense of place within each community. The mission of the DRA is to serve as a regional focal point for resources, planning, and ideas. The

DRA will be a catalyst for investment in the communities and in the people of the Mississippi Delta. The strategic goals of the DRA are:

- Goal 1: Advance the productivity and economic competitiveness of the Delta workforce.
- Goal 2: Strengthen the Delta's physical and digital connections to the global economy.
- Goal 3: Create critical mass within Delta communities.

The management goal of the DRA is to maintain organizational excellence and continue to be recognized as a steward of public resources. The challenge of this plan is to create a single vision that integrates existing programs while taking into account traditional performance measures. The challenge is met by a focus on the competitiveness of the Delta workforce. The Plan was approved in Fiscal Year 2007 which was subject to a few minor changes. All changes have been made and further approved in Fiscal Year 2008. Additionally, in 2009 DRA requested all of the member states to begin modifying their plan to accommodate the goals and measures outlined in the plan. Individually listed below are executive summaries of the each states plan.

ALABAMA

The Delta Regional Authority Act of 2000 requires the preparation of a state development plan to guide investments of the DRA and other resources for the development of the Delta region of the state.

Alabama's plan will perform interrelated functions as follows:

1. Ensure that all students receive a strong, basic education regardless of where they live.
2. Establish an integrated, accountable workforce development system.
3. Provide resources to low income workers to remove barriers to work and economic stability.
4. Establish a job strategy to grow and capture high wage jobs and high quality businesses.
5. Equip communities with cutting-edge technology to connect them with the global economy.

6. Protect the natural resources base to ensure long-term, shared prosperity.

7. Provide access to healthcare, especially in medically underserved areas.

8. Provide infrastructure for economic growth.

There are many issues facing the State of Alabama, in the Delta Regional Authority region, including dramatic structural shifts in the various economic sectors, the quality of workforce, the increasing importance of entrepreneurship, the strong influence of information technology, and the need for environmental protection as well as long-term issues, such as the consequences of inadequate education, poverty, transportation, and infrastructure.

Objectives of the concepts Alabama's DRA are to: lessen traditional economic development dependency on recruiting and importing jobs outside of the community; diversify local/rural economies; promote economic development through small business creation, incubation, and assistance; attract and train innovative entrepreneurs; better use existing resources; and assist existing small- and medium-sized businesses. A quality economic foundation for all regions of the state must exist in terms of physical infrastructure, transportation, and information infrastructures and human resources.

There are four major goals that the DRA plan proposes to address:

1. Advance the productivity and economic competitiveness of the Delta Workforce.

2. Strengthen the capacity of the people of the DRA to compete in the global economy (making
Communities flourish).

3. Develop and improve DRA's infrastructures to make the region economically competitive.

4. Strengthen the Delta's physical and digital connections to the global economy.

ARKANSAS

The Delta Regional Authority Act of 2000 requires the preparation of a state development plan to guide investments of the DRA and other resources for the development of the Delta region of the state.
Arkansas's Five Goals for Economic Development are:

1. Increase the incomes of Arkansans at a growth pace greater than the national average.

2. Expand entrepreneurship focusing on knowledge-based enterprises.

3. Compete more effectively in the global marketplace for new business, jobs, and create a business retention strategy to reduce closures.

4. Create an economic development policy that will meet the special needs and take advantage of the extraordinary assets of various areas of the state. It will not be one size fits all.

5. Increase the number of workers with post secondary training so they are prepared when they enter the workforce and equipped for new jobs in the future.

Each of these goals support five interdependent economic development components - workforce development, economic development infrastructure, competitive business climate and collaborative partnerships – that comprise the blueprint for Arkansas's economic development strategy. Transcending each of these components are the concepts of regionalism and collaboration.

DRA Strategic Goals:

1. To advance the productivity and economic competitiveness of the Delta workforce.

2. To strengthen the Delta's physical and digital connections to the global economy.

3. To create critical mass within the Delta.

KENTUCKY

The Delta Regional Authority Act of 2000 requires the preparation of a state development plan to guide investments of the DRA and other resources for the development of the Delta region of the state.

As part of this process, Kentucky is offering this strategic plan to build upon the goals of the DRA and guide its successful implementation within the Kentucky Delta Region. The plan offers goals and objectives to grow the Region a more prosperous area for all its residents. This plan is a blueprint to improve the quality of place for nearly half millions residents who live, raise their families and work in the Kentucky Delta region.
Commonwealth's interrelated functions as follows:

1. Affordable and Accessible Health Care

2. Energy Independence

3. Clean and Ethical State Government

4. Safe and Sufficient Transportation Network

5. Quality Education

6. Creation of 21st Century Economy

The Commonwealth set the state on the path for future prosperity and these priorities will guide the Commonwealth in reaching the goals and objectives of the DRA. The Commonwealth of Kentucky's Delta Regional Authority plan embraces the vision of the DRA in supporting new and creative approaches to community and economic development whereby each community of the Kentucky Delta region flourishes. This Kentucky Delta Plan mirrors the three goals of the DRA while employing strategies specific to the Kentucky Delta and incorporating the state priorities throughout the process.

Three major goals that the DRA plan proposes to address:

1. Advance the productivity and economic competitiveness of the Delta workforce.

2. Strengthen the Delta's physical and digital connections to the global economy.

3. Create critical mass within Delta communities.

MISSOURI

The Delta Regional Authority in 2008 completed a landmark update of its strategic plan for the region. There are three major goals that the DRA plan proposes to address:

1. Advance the productivity and economic competitiveness of the Delta workforce

2. Strengthen the Delta's physical and digital connections to the global economy.

3. Create critical mass within Delta communities.

The state of Missouri has pulled together several resources to develop the Missouri State Plan for
The Delta Region. The first of which is the comprehensive planning activity (CED's) that the Regional Planning Commissions of the region participate in cooperation with the US Economic Development Administration. The Regional Planning Commissions are an instrumental partner with the State of Missouri in administering a wide variety of projects throughout the Delta Region.

Missouri identified four priorities/goals:

1. Transportation improvements

2. Regional investment and economic development enhancement

3. Educational opportunities/Workforce Development

4. Enhanced quality of life through construction and improvement of basic infrastructure

ILLINOIS

The mission of the Delta Regional Authority is to serve as a regional focal point for resources, planning, and ideas and to be a catalyst for investment in the communities and people of the Mississippi Delta. The DRA has adopted a new Five-Year Regional Development Plan focused on three strategic goals:

1. To advance the productivity and economic competitiveness of the Delta workforce.

2. To strengthen the Delta's physical and digital connections to the global economy.

3. To create critical mass within the Delta.

These three major DRA goals are linked to specific objectives and strategies to help the DRA carry out its plan. DRA's goals align with the goals of the State of Illinois and its lead economic development agency, the Department of Commerce and Economic Opportunity (DCEO). Below
is the DCEO mission statement:

The Department of Commerce and Economic Opportunity (DCEO) is the lead state agency responsible for improving Illinois' competitiveness in the global economy. Guided by an innovative regional approach, DCEO administers a wide range of economic development programs, services and initiatives designed to create and retain high quality jobs and build strong communities. DCEO leads the Illinois economic development process in partnership with businesses, local governments, workers and families.

In 2007, DCEO launched a four-year statewide economic development strategic plan. The following six priorities form the foundation of the plan:

Priority 1: Create & Retain Illinois Jobs.

Priority 2: Invest in the Illinois Workforce.

Priority 3: Develop Illinois' Community Infrastructure & Quality of Life.

Priority 4: Build a Statewide Culture of Innovation & Entrepreneurship.

Priority 5: Promote Energy Independence.

Priority 6: Catalyze Growth in the Industries of Tomorrow.

These six strategic priorities provide the framework for the state's economic development investment strategy and policy agenda. Each priority is linked to a set of initiatives and objectives designed to mobilize the plan.

LOUISIANA

The preparation of Louisiana's 2009 Delta Regional Authority Regional Plan for Louisiana was the result of a coordinated effort of state, regional and local organizations.

Louisiana's goals presented are:

1. Advance the productivity and economic competitiveness of the Louisiana workforce.
2. Strengthen Louisiana's physical and digital connections to the global economy.
3. Create critical mass within Louisiana communities.

This Mississippi River Delta region is predominantly rural with the highest concentration of disadvantaged populations in the United States. As a part of this region, Louisiana faces profound concerns related to persistent poverty, out-migration, health, education, and income levels. These economic factors indicate that Louisiana must utilize non-traditional community and economic development strategies in the future. Community and economic development in Louisiana must be readdressed in order to be successful.

In recognition of these challenges, Louisiana has implemented some of these non-traditional strategies, including a comprehensive workforce development plan, improved governmental ethics laws, and an aggressive evaluation and elimination of unorthodox taxes related to business development. Louisiana's 2009 *DRA Regional Development Plan* proposes a new direction for community and economic development in Louisiana. Louisiana's plan proposes to enhance state and local economic competitiveness; and to cultivate economic development assets; including business retention, recruitment, and expansion; and, small business development and entrepreneurship. This plan provides a realistic approach as to what Louisiana's community and economic development goals will be in its combined efforts with the Delta Regional Authority (DRA) for future development of the Mississippi River Delta region.

As part of DRA, Louisiana relies heavily on the Local Development Districts (LDDs) as its regional frontline partner in economic development, particularly in the delivery of its federal grant program. Both DRA and Louisiana have found that the LDD delivery system can provide an effective mechanism for transforming the DRA region's economic vitality. The LDDs promote DRA programs and provide technical assistance to grant applicants. Accordingly, the LDDs are responsible for ensuring the suitability, completeness, and quality of grant applications, and sign their own federal grant application agreeing to do so for compensation. It is, therefore, critical that the regional economic development strategic plans of the LDDs also reflect Louisiana's and DRA's investment priorities. The DRA also encourages the preparation of sub-state development plans prepared by local development districts (LDDs). LDDs bring the planning process even closer to the people the Authority serves, and ensure the investments which are made are effective in meeting the needs of the region and encouraging development.

Three major goals that the DRA plan proposes to address:

1. Advance the productivity and economic competitiveness of the Delta workforce.

2. Strengthen the Delta's physical and digital connections to the global economy.

3. Create critical mass within Delta communities

TENNESSEE

The Delta Regional Authority Act of 2000 requires the preparation of a state delta development plan to guide investments of the DRA and other resources for the development of the Delta region of the state.

Tennessee's plan will perform three interrelated functions as follows:

1. Describe the state organization and continuous process for Delta development planning including the procedures established by the state for the participation of local development districts in such process, and the means by which such process is related to overall statewide planning and budgeting processes;

2. Set forth the goals, objectives, and priorities of the state for the region, as determined by the governor, and identify the needs on which such goals, objectives, and priorities are based; and

3. Describe the development programs for achieving such goals, objectives, and priorities, including funding sources, and recommendations for specific projects to receive assistance.

Planning is vitally important to the development of the Delta region. The DRA has prepared a regional plan which will define the goals, objectives, and development strategies for the development of the eight-state Delta region. The Delta states will participate as equals with the federal government in the preparation of the regional plan to ensure it reflects goals, objectives, and development opportunities in the states, and provides a structure that is useful and effective in meeting the needs of the residents of the region.

It is important to contrast the regional plan with plans and regulations which are prepared in traditional federal agencies. The DRA is one of only three agencies where those who receive the benefits of the program are involved in program planning. This feature of the Delta program ensures that the program remains relevant to the needs of the region, and is developed with an understanding of the requirements of program implementation.

Working within the structure imposed by the regional plan, each Delta state prepares a state plan which defines the goals, objectives, priorities, and development strategies of the governor of that state. State plans provide individual states with the opportunity to determine their own methods of achieving the overall goals established in the regional plan, and to strategically target resources provided by the DRA and other sources of assistance to meet the sometimes unique needs of individual states.

The DRA also encourages the preparation of sub-state development plans prepared by local development districts (LDDs). LDDs bring the planning process even closer to the people the Authority serves, and ensure the investments which are made are effective in meeting the needs of the region and encouraging development.

There are three major goals that the DRA plan proposes to address:
1. Advance the productivity and economic competitiveness of the Delta workforce.
2. Strengthen the Delta's physical and digital connections to the global economy.
3. Create critical mass within Delta communities.

MISSISSIPPI

In 2001, Congress established the Delta Regional Authority (DRA) to address the chronic economic distress that denies the eight-state region full partnership in America's future. Congress issued a mandate for the Authority to address this economic dilemma through advocacy, assessment, regional planning, research, and grant-making.

Mississippi's plan will perform these interrelated functions as follows:
1. Increase the private sector and high wage jobs across the Mississippi DRA region.
2. Develop sustainable communities with high quality of life through out the Mississippi Delta Region.

In order to compete in the global economy of the 21st Century, the people of Mississippi DRA region must have the skills and knowledge required to develop, staff, and manage globally competitive businesses. They must also have the opportunity and desire to live and work in the region. Communities, therefore, must sustain a quality of life that values and provides education and training, attracts and holds on to people with the skills and leadership to succeed in this economy, and provides access to important and quality services from early childhood education to healthcare and elderly care.

The authorizing statute for the Delta Regional Authority provides that the state's development plan reflect DRA's mission, goals, and guiding principles. Those guiding principles are:

1. The most valuable investment that can be made in the Region is in its people.
2. Entrepreneurial economies that focus on high-value-added goods and services offer the best future for many parts of the Region.
3. Strategies and objectives should take into consideration participation in the global economy.
4. Economic development should be community-based and should emphasize local decision-making.
5. DRA investments should take advantage of technology and telecommunications applications.
6. DRA should promote an atmosphere of open and productive communication among all stakeholders in the Region.
7. DRA should focus special attention on the areas of greatest need.

HEALTHY DELTA INITIATIVE

One key to economic development in the Delta Region is assuring that industries investing operations in the area have a productive, healthy workforce. But how do we know that the local workforce is healthy? How do we improve the health if it is, indeed, not good? How do we know that we can compete with other counties, states, and regions based on the availability of capable, fit, energetic individuals that consistently show up for work, produce and create value for the firm and for the region?

These questions were considered by a group of researchers convened in Memphis in September 2008 by Delta Regional Authority leadership. The group consisted of Dr. Teresa Waters of the University of Tennessee Health System, Dr. Eric Baumgartner from the Louisiana Public Health Institute, and Dr. J.M. "Mickey" Trimm from the University of Alabama at Birmingham.
Federal Co-Chairman Pete Johnson challenged the group to consider the health and healthcare of the region's workforce. The meeting and subsequent work on this project was directed by Bill Triplett, Senior Advisor to the Federal Co-Chairman.

Over the next nine months the group led a team of researchers in conducting investigations into the extent of information on health in the region. The group found that there is incomplete and un-compiled data on the health of the citizens of the region. They also discovered that there are large disparities between the collected health information in the eight states of the region. The group also discovered that there are very successful programs being conducted in communities within the region.

The group undertook a Scope of Work that included gathering data from the region, analyzing existing research on the nature of a healthy workforce, interviewing regional authorities regarding the health of the population and identifying programs that currently address health problems.

The study group assembled an Excel database for all 252 counties in 8 states that combines existing relevant indicators taken from CHSI, US Census, ESRI, and reports written by the Public Health Departments of each state. Additional county-level information needs were identified. Examples of the county reports are included.

The group also developed a comprehensive review of the literature examining the link between specific measures of health and economic development to wellness and health education programs. Using the collected data the group has also proposed a model that suggests relationships between the health of the workforce and other community resources and possible "key economic drivers". This model can be used for future research and exploration into the relationship of health and economic development in communities.

The use of GIS techniques to pin-point "hot spots" was explored. Graphical interpretations of health data offer potential for easily identifying problem areas and communicating the problems to others. Examples are included in this report.

The group identified and compiled county/parish level interventions and effectiveness measures that have been successful at improving some health measures. These approaches can demonstrate to local communities and community groups and businesses how they may produce positive outcomes for improving community health as measured by the health indicators that were collected.

Finally, the group provided recommendations for continued efforts by the Delta Regional Authority to improve information, consolidate health improvement efforts and to provide resources for community efforts to develop the health of their workforce and citizens.

The development of the recommendations was finalized at a meeting with the DRA Health Advisory Committee on July 14, 2009 in Memphis. The recommendations were presented and approved by the Delta Regional Authority Board of Directors at its meeting in Gatlinburg, Tennessee, in August, 2009.

The recommendations were:

1. That the Delta Regional Authority institute a grant program, similar to its Federal Grants Program, to fund health initiatives throughout the region. These grants would be administered and reviewed in a similar fashion to the Federal Grants Program with the similar expectation of proven outcomes.

2. DRA should compile and produce County Data Reports on its web site for universal access to the information. Ongoing updates will be required as well as continual efforts to improve the quality of the data.

3. Additional follow up work beyond the scope of the original study has emerged during the course of the investigation. The following activities will be beneficial in furthering current efforts and provide DRA with better long-term health for the communities.

a. DRA should take the lead in coordinating a meeting of state organizations that currently produce health data with the purpose of improving, standardizing, and improving the quality of the data available. DRA should work with these groups to identify additional information that is currently not being captured but that could be of extreme value in assessing the health and wellness of its workforce and other populations.

b. DRA needs to set up a mechanism to collect and disseminate the Tool Kit programs, best practices and benchmarks using its web site.

c. DRA should use its reputation as a successful convener of disparate groups to pull together rural health organizations for the purpose of establishing stronger links and mutual goals and objectives while reducing duplication and fragmentation in local efforts.

d. DRA should convene operatives from federal and other governmental programs such as HRSA, USDA, and state health planning agencies to strengthen funding support and assure that local groups and organizations are connected to all resources available. DRA can provide information from these funding sources on its web site.

e. Technical assistance for establishing and operating health programs should be established through a partnership with the HRSA Office of Rural Health Policy, the USDA agricultural agents, or other programs.

f. The Delta Regional Authority Leadership Institute should incorporate mechanisms to help communities and their leaders undertake the projects and activities identified in the Tool Kit. This should include education into the availability and use of information that will be made available on the DRA web site and other resources that are available for health and wellness promotion.

g. As part of the effort to establish health information on the DRA web site the DRA should establish a "Wikipedia-type system" for allowing citizens to contribute information regarding health programs and other information that could be valuable in the region. We further recommend that social networking systems be used for sharing health and wellness related information.

h. DRA should organize regional and sub-regional healthy workforce discussion groups leading to sustainable coalitions of networked stakeholders to encourage local organizations, businesses, faith-based groups, and others to share experiences in past activities and ideas for future implementations.

i. The Health Advisory Committee charter should be extended and that the Committee should be charged with determining the resources necessary to fulfill these recommendations and overseeing the activities that need to further health and wellness activities in the region.

j. Finally, based on the experience with this project, we recommend that the Health Advisory Committee use in-Delta resources when seeking the resources to undertake these activities. We strongly recommend that the resources of the many educational institutions within the Delta be considered when marshalling these resources.

DELTA DEVELOPMENT HIGHWAY SYSTEM PLAN

DRA is continuing to develop this initiative and is currently working with the eight states' Departments of Transportation and Federal Highway Administration.

During a planning retreat in February 2005, the Delta Regional Authority board voted to make transportation one of the Authority's three major policy development areas along with health care and information technology. Shortly after that retreat, the Authority contracted with a consortium of firms to assist the DRA with transportation planning.

The Delta Development Highway System plan was developed following input from transportation executives and local organizations in the eight states covered by the DRA. Public meetings were held throughout the region in the fall of 2006.

The Delta Development Highway System consists of 3,843 miles of roads throughout the region. The estimated cost to complete the planned improvement projects for these roads is $18.5 billion, while the projected annual benefits are $3.5 billion. Of the roads in the plan, 27 percent provide four or more travel lanes already, while the remaining facilities are additional lanes for existing two-lane facilities.

For the complete program description, please go to

http://dra.gov/programs/transportation/ and follow the links below.

- Abbreviations
- Executive Summary
- Introduction

- DDHS Approach and Designation Criteria
- Initial Highway Economic Impact Analysis
- Alabama
- Arkansas
- Illinois
- Kentucky
- Louisiana
- Mississippi
- Missouri
- Tennessee
- DRA DDHS Map
- Alabama DDHS Map
- Arkansas DDHS Map
- Illinois DDHS Map
- Kentucky DDHS Map
- Louisiana DDHS Map
- Mississippi DDHS Map
- Missouri DDHS Map
- Tennessee DDHS Map

INFORMATION TECHNOLOGY – iDelta

Coahoma County Wireless Broadband Pilot/Demonstration

The Delta Regional Authority (DRA) applied for Fiscal Year 2004 funding under the Rural Business Opportunity Grant (RBOG) from the United States Department of Agriculture to create and establish an Information Technology Program, called "iDelta" to assist the Authority with its Congressionally mandated work in its region comprised of 252 counties and parishes within the eight states of Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri and Tennessee.

In April 2007, the Delta Regional Authority (DRA) released its "iDelta – DRA's Information Technology Plan for the Region", which included eight specific recommendations to increase awareness, use and deployment of IT resources in the region – all of which will combine for a richer and more-robust economy and future for its people:

1. Geographic Information Systems,
2. Tele-health,
3. Community Access,
4. Awareness,
5. Distance Education,
6. Workforce Development,
7. E-Government and

8. Create an atmosphere of opportunity for increased private-sector investment.

Toward those ends, the DRA has been working for the past year, with high-level staff discussions and negotiations with national and state offices, particularly USDA and its Rural Utility Services and Rural Development offices, different state technology alliances, congressional offices and regional/national tele-comm carriers and providers to initiate the phased implementation of iDelta. Specifically, DRA is now working on the following bases – DRA region-wide, DRA sub-region and state sub-regions to:

1. DRA region-wide: help other states in the region grow their own technology entities. Most DRA states do NOT have an entity with a formalized structure, strengths of partners and shared missions and visions.

2. DRA sub-region: DRA is working with a multi-state entity on a technology-based system for workforce training and development, which will elevate under-employed workers to higher-paying jobs and attract new talent, thereby boosting the economies of DRA states.

   State sub-region projects: some specific, much-needed (pilot/demonstration) projects – such as: wireless broadband in an under-developed county; such as Coahoma County, Mississippi.

   DRA has contracted with the Mississippi Technology Alliance (MTA), for project management, to pilot/demonstrate wireless broadband in Coahoma County, Mississippi. MTA is a 501 C (3) established in 1999 with the mission to drive innovation and technology-based economic development in the state of Mississippi. MTA staff has an extensive background over the past nine years managing numerous state and federal-funded technology demonstration projects and helping local communities assess their assets for leveraging technology infrastructure deployment.

   MTA is performing the following tasks:

   - Task 1: Develop and facilitate a Coahoma County Wireless Broadband team with members representing a cross section of the community, including business, telecommunication, health care, workforce development, K-12 education, higher education, libraries, community-based organizations, local government, tourism/recreation, and agriculture;

   - Task 2: Coordinate with willing current broadband service providers to identify and map the gaps in broadband service, in the county without broadband availability;

   - Task 3: Investigate best practice models for community telecommunications assessments including: Connected Nations, E-North Carolina, and Georgia Tech's Smart Tech.

- Task 4: Conduct a pilot community telecommunications assessment to identify barriers to broadband adoption and provide market demand analysis for wireless broadband;

- Task 5: Develop and manage a Request for Proposal process for a wireless broadband demonstration in a manner that supports a service providers business plans and meets the needs of the county;

- Task 6: Monitor the progress of the wireless broadband demonstration project.

- Task 7: Identify and pilot best practice tools and resources to equip the Delta Regional Authority and the Coahoma County Wireless Broadband team to measure and track broadband and information technology adoption; and

- Task 8: Work with the Delta Regional Authority and the Coahoma County Wireless Broadband team to develop a computer donation pilot program to provide computers and wireless devices to needy students.

Outcomes: This DRA iDelta initiative will expand broadband infrastructure, increase computer and Internet adoption, and ultimately increase the number of companies, workers, and students using information technology in this rural county. The Coahoma County wireless broadband pilot/demonstration project will first identity and map the gaps in broadband service. A pilot community technology assessment will be conducted to identify barriers to broadband adoption and provide market demand analysis for wireless broadband. In addition, a request for proposal process for a wireless broadband demonstration will be developed, managed, and monitored. Finally, a computer donation pilot program will provide computers and wireless devices to needy students.

Economic Impact: As part of the project management tasks, Mississippi Technology Alliance will investigate and pilot best practice models for community telecommunications assessments (including Connected Nations, E-North Carolina, and Georgia Tech's Smart Tech) and best practice tools and resources to equip the Delta Regional Authority and the Coahoma County Wireless Broadband team to measure and track broadband and information technology adoption.

Mississippi is ranked as the lowest state for Internet penetration at 46 percent, according to figures from the U.S. Census Bureau in October 2007. It is more than 50 percent in urban areas and 42 percent in rural areas. Nationwide the average is 62 percent. Wireless broadband can reduce the digital divide by providing low-cost, high-speed Internet access for residents.

In March 2008, Connected Nations estimated that Mississippi would realize an annual economic impact of approximately 18,000 jobs per year if broadband adoption rates were to be increased at even a modest rate statewide.

According to Connected Nations, "broadband Internet access is one of the keys to economic success. Although broadband infrastructure on its own is not a silver bullet solution for prosperity, adequate access to broadband infrastructure is an enabler for knowledge-based economic development and enhancing the lives of citizens and businesses. Broadband infrastructure enables communities to provide a telecommunications asset to companies that require advanced communications capabilities. Businesses increasingly rely upon broadband Internet access for company operations, connecting to customers, suppliers, and telecommuters. The requirement for broadband access has become the norm for recruiting companies and workers, creating a chasm for communities that do not have adequate broadband infrastructure."

According to Jane Smith Patterson, Executive Director of a rural broadband access group in North Carolina and one of the nation's leaders in state telecommunications policies, "a ten percent increase in broadband usage in a community results in an average of $7,000 of economic difference per household."

For every one percentage point increase in broadband penetration in a state, employment is projected to increase by 0.2 to 0.3 percent per year. (The Brookings Institute, *"The Effects of Broadband Deployment on Output and Employment: A Cross-sectional Analysis of U.S. Data"*, Number 6, July 2007.)

IT-related jobs pay 18 percent more than non-IT jobs. IT jobs in the manufacturing, transportation and utilities and wholesale and retail trade industries pay the highest wage premiums. (*The Federal Reserve Bank of Atlanta, Economic Review.* Third Quarter 2005.)

"The evidence suggests that having access to a home computer is associated with the probability of becoming an entrepreneur." (SBA report, *"Technology and Entrepreneurship: A Cross-Industry Analysis of Access to Computers and Self-Employment"*, www.sba.gov 2007.)

Education Benefits- In Mississippi, although 99 percent of public schools have Internet access and over 90 percent have high-speed Internet access, 47.7 percent of the students who attend those schools go home to a residence without Internet access, according to a Mississippi Department of Education survey. (The Stennis Institute, *"Bringing Broadband to Rural Mississippi Appalachia: An Examination of Current Environment, Issues and Alternative"*, 2005.)

According to Pam Lawhead, professor of computer and information science at the University of Mississippi, "The Internet is no longer about convenience, it's about keeping up."

Constance Bland, chairwoman of the math and computer science department at Mississippi Valley State University agrees, "Almost every teacher here at the university gives assignments where students have to access the Internet. Also, today's textbooks almost always include supplemental materials on the Web. When it comes to the mercy of a computer lab everybody's going into, you show up and there are 50 people and 45 computers, there are definitely disadvantages to not having access at home."

Healthcare- "When the health field is fully integrated with information technology, it will bring some 20 percent of the cost out of the system," President George Bush, December 2004.

"A healthy population equals a healthy economy. A one percent annual increase in life expectancy equals 4.8 percent improvement in local economy," Pete Johnson, Federal Chair of the Delta Regional Authority, August 2007.

Over the past year, the term "healthcare 2.0" has come into use for describing a disruptive movement which brings together Web-based technologies and a personalized approach to health, wellness, and medical care. In his talk, Dr. David Kibbe explained that Health 2.0 "is about reusable, repurposable, and reconnect able health data, and tools consumers can use to live healthier and longer lives." The end result will be a consumer's ability to access their own health information in electronic format and the disintermediation of some groups in the healthcare industry. Fourth Annual Healthcare Unbound Conference – Summer 2007

E-Government/ Public Safety- Only 15 percent of local governments in the DRA region has websites, a key indicator of e-government progress. Mobile wireless applications present opportunities for improving law enforcement, fire suppression, and homeland security through video surveillance, high speed record sharing, mug shot transfer, video transmission from national and local sources, wireless call boxes, inner building tracking for firefighters, and field reporting, all resulting in productivity gains and improved communications. First responder safety can be improved by providing them with important information prior to arriving at a scene and with enriched communications during events.

The weight of these statistics and these comments from federal and state leaders lends credence to the DRA's assertion that economic development can be enhanced, exponentially, through the proper application of technology. In addition, broadband Internet access enables enhanced education, healthcare delivery, government services, and public safety.

Jobs saved and created:

As part of the Coahoma County Wireless Broadband project, a request for proposal (RFP) will be issued for a contractor to construct and operate a wireless broadband network. Based upon construction and operations of wireless broadband networks in other similar sized rural markets, it is anticipated that two direct jobs will be created to construct and operate a wireless broadband system. This includes one marketing/sales agent and one wireless broadband network technician/manager.

Other direct and indirect jobs saved or created by this project would be contingent upon market demand. However, based upon an initial discussion with one Clarksdale based company, Mississippi Media Group, two jobs would be saved and additional jobs could be created as a result of this wireless broadband project.

Mississippi Media Group is focused on creating high quality audio-video content that captures the blues masters of today and the legends of yesterday. The programming is exploited via worldwide distribution of DVD's and throughout the digital ecosystem. Mississippi Media Group's current project is to create two broadcast seasons of programming called "Down To the Crossroads" which is hosted by Morgan Freeman and features performance footage and behind the scenes dialog and documentary with the musicians.

Mississippi Media Group currently has support from several technology companies to assist in making their content the highest quality possible, but they regularly deal with technology challenges (and bottlenecks) that could be helped greatly by adding wireless broadband to the scene in Clarksdale. Their production facility would instantly become much more efficient which would allow them to manage their productions in parallel. More programming means more high quality, high profile jobs in the Delta region.
Wireless broadband would also provide Mississippi Media Group with a platform to market and exploit their content directly from Clarksdale. Streaming, downloading and movement of high definition audio and video files is extremely bandwidth intensive, and Mississippi Media Group would normally have to go to a larger metropolitan area to compete in the marketplace. By creating a hub for distribution, many other companies would see Clarksdale as a viable location for doing business on a worldwide stage.

According to Gary Vincent, President, "Mississippi Media Group is committed to Clarksdale and wireless broadband could play a huge role in allowing the indigenous arts and commerce to thrive in the Delta."

DELTA DOCTORS

In an attempt to increase the number of doctors serving Delta residents, the Delta Regional Authority has implemented the Delta Doctors program. The program allows foreign physicians who are trained in this country to work in medically underserved areas for three years. Most choose to stay far longer once they develop a patient base. Those in the Delta Doctors program do not take jobs away from U.S.-born physicians. Instead, they provide services in areas where otherwise there would be a shortage of physicians.

The Delta Regional Authority is one of the few government agencies allowed to recommend such visa waivers to the State Department. Medical school graduates from other countries normally are required to return to their home countries for at least two years after they complete their education. The J-1 visa waiver obtained under the Delta Doctors program allows them to stay in the United States if they spend at least three years in medically underserved areas. The physicians must provide primary care in their specialty fields for at least 40 hours a week. They also must provide care to the indigent, Medicaid recipients and Medicare recipients. The Delta Doctors program accepts waiver requests for medical specialists.

To date, the Delta Doctors program has assisted with the placement of more than 100 physicians in the region, which has helped to better meet the health care needs of more Delta families.

LEADERSHIP DEVELOPMENT – THE DELTA LEADERSHIP INSTITUTE

DRA's Delta Leadership Institute (www.deltaleadership.org) is designed to create a corps of leaders with a regional and national perspective. The first class of the institute met in 2005. The program was operated by the DRA in cooperation with Delta State University at Cleveland, Miss. In April 2006, the DRA board chose the University of Alabama at Tuscaloosa to coordinate the Delta Leadership Institute. The University of Alabama is currently conducting the fifth class of DLI.

Many of the 252 counties and parishes that make up the Delta region are characterized by high poverty, high unemployment levels, low educational attainment, a loss of skilled labor and a general lack of hope. Unable to establish development priorities, these counties and parishes have failed to keep up with counties and parishes in other areas of their states. Delta communities often lack the civic infrastructure, organizations and knowledge base necessary for sustained economic growth. Even those who are considered local leaders too often do not understand how good governance, quality infrastructure, adequate schools and quality health care services can work together to sustain growth.

These areas often are marked by a lack of investment in leadership development and strategic planning. This results in a leadership void and a lack of direction. Communities never decide on their priorities. With no leadership, vision or plans for growth, these communities continue to struggle.

The Delta Leadership Institute is designed to improve the decisions made by leaders across the region. Each of the eight governors and the FCC nominate five people per year for the program, resulting in a class of 45 Delta leaders. Last year the Delta Leadership Network (DLN) alumni organization was formed through a committee of DLI alumni. They have begun plans to broaden the DLN in the years to come. These will be leaders who stay in touch with each other, sharing best practices and solutions to common problems through the DRA Annual Conference and through the newly designed website to accommodate the needs of the alumni.

It is expected that many of the graduates of the Delta Leadership Institute will go back to their communities and help lead local leadership programs, multiplying the number of people in the region who receive leadership training.

DELTA REGIONAL AUTHORITY FEDERAL GRANT PROGRAM 2009

Governors' project recommendations demonstrate the DRA's continued emphasis on four funding priorities areas: basic public infrastructure, transportation infrastructure, business development, and workforce development with emphasis on job creation and job retention. Basic public and transportation infrastructure project funding totaled $8,538,357, 81.35% of the total fiscal year 2009 project funding allocation of $10,496,000 (well above the 50% required by statute). Also, investment in distressed counties total $9,280,356 which is 88.42% of the total fiscal year 2009 project funding allocation of $10,496,000 (well above the 75% required by statute).

DRA's Fiscal Year 2009 grant funds attracted $52,419,205 in additional public project funding, a ratio of 5.17 to 1. DRA FY 2009 grant funds also leveraged $203,950,000 in private investment, a ratio of 20.10 to 1.

Overall:

- DRA has contributed $74,563,877 to 510 projects in its eight-state region.
- DRA's grants have helped attract $353,847,039 in other federal, state and local funds, a ratio of 4.75 to 1.
- In addition, private funds invested in these projects total $1,544,375,000, a ratio of 20.71 private dollars for every one dollar of DRA funding.
- DRA projects have a total leveraged investment of $1,898,222,039, including federal, state, local and private funds - a ratio of 25.46 to 1.
- Since the inception of DRA Federal Grants Program, 294 projects have been completed with the following results:
    - 5,472 Jobs Created
    - 5,313 Jobs Retained
    - 11,860 families received improved water and sewer
    - 3,315 individuals trained for jobs
- DRA now has 140 projects which are active with projected outcomes including: 22,587 families who will receive improved water and sewer, 13,992 jobs which will be created, 9,455 jobs which will be retained, and 589 individuals who will be trained for jobs already committed to DRA.

A further breakdown of these results by state and fiscal year can be found at www.dra.gov.

DELTA REGIONAL AUTHORITY
2009 Federal Grant Program
Allocation Formula

The DRA enabling legislation requires the Authority to update distressed county designation annually.

The following calculations reflect these updates.

2009 Allocation Methodology

Factors used in determining 2009 Allocation:

Factor	**Factor Percentage**
Equity Factor (divided equally among eight states)	50%
Population Factor (DRA counties/parishes only)	10%
Distressed Population (DRA counties/parishes only)	20%
Distressed County Area (DRA counties/parishes only)	20%

The model included factors using 2009 Distressed Counties (based on 2006 Per Capita Income from the Bureau of Economic analysis and average from June 2006 to May 2008 National Unemployment Rate.)

2009 State Allocations

Alabama	**10.32%**	**1,083,187.00**
Arkansas	**14.66%**	**1,538,714.00**
Illinois	**8.45%**	**886,912.00**
Kentucky	**8.74%**	**917,350.00**
Louisiana	**22.54%**	**2,365,798.00**
Mississippi	**13.52%**	**1,419,059.00**
Missouri	**11.20%**	**1,175,552.00**
Tennessee	**10.57%**	**1,109,427.00**
Total	**100.00%**	**$10,496,000.00**

2009 DRA Federal Grant Program Pre-Application Summary

States	Total Pre-Apps Submitted	Pre-Apps Deemed Eligible	Pre-Apps Deemed Ineligible	Ineligible Pre-apps Appealed	Number of Ineligible Reversed
Alabama	20	9	11	2	2
Arkansas	37	14	23	13	2
Illinois	22	8	14	3	2
Kentucky	12	4	8	3	1
Louisiana	88	28	60	13	3
Mississippi	37	13	24	5	1
Missouri	23	8	15	1	1
Tennessee	22	4	18	2	0
Totals	261	88	173	42	12

Delta Regional Authority

Schedule of Grants Made September 30, 2009

		FY 2009		
		DRA Obligated	Total Project Funds	DRA%
A.	Basic Public Infrastructure	$ 6,318,570	$ 25,099,385	25.2%
B.	Transportation Infrastructure	2,219,787	16,095,973	13.8%
C.	Business Development	314,000	6,643,670	4.7%
D.	Work Development	509,500	697,000	73.1%
		$ 9,361,857	$ 48,536,028	19.3%

	FY 2009		
	DRA Obligated	State Allocation	State %
State Allocations:			
Alabama	$ 1,083,187	$ 1,083,187	10.3%
Arkansas	1,457,000	1,538,714	14.7%
Illinois	852,728	886,912	8.5%
Kentucky	652,231	917,350	8.7%
Louisiana	2,515,798	2,365,798	22.5%
Mississippi	1,393,979	1,419,059	13.5%
Missouri	1,248,433	1,175,552	11.2%
Tennessee	944,788	1,109,427	10.6%
	$ 10,148,144	$ 10,495,999	100.0%

Delta Regional Authority

Schedule of Grants Made September 30, 2008

		FY 2008		
		DRA Obligated	Total Project Funds	DRA%
A.	Basic Public Infrastructure	$ 5,755,092	$ 23,841,948	24.1%
B.	Transportation Infrastructure	1,935,223	6,842,796	28.3%
C.	Business Development	106,225	306,825	34.6%
D.	Work Development	167,578	436,578	38.4%
		$ 7,964,118	$ 31,428,147	25.3%

	FY 2008		
	DRA Obligated	State Allocation	State %
State Allocations:			
Alabama	$ 834,592	$ 815,508	10.5%
Arkansas	1,099,817	1,162,119	14.9%
Illinois	662,843	662,843	8.5%
Kentucky	830,000	682,316	8.8%
Louisiana	1,815,976	1,602,976	20.6%
Mississippi	1,340,860	1,145,762	14.7%
Missouri	737,300	884,830	11.4%
Tennessee	642,730	832,644	10.7%
	$ 7,964,118	$ 7,788,998	100.0%

Delta Regional Authority

Schedule of Grants Made September 30, 2007

		FY 2007		
		DRA Obligated	Total Project Funds	DRA%
A.	Basic Public Infrastructure	$ 7,000,954	$ 49,198,753	14.2%
B.	Transportation Infrastructure	859,181	3,784,152	22.7%
C.	Business Development	124,049	285,757	43.4%
D.	Work Development	92,155	447,986	20.6%
		$ 8,076,339	$ 53,716,648	15.0%

	FY 2007		
	DRA Obligated	State Allocation	State %
State Allocations:			
Alabama	$ 853,800	$ 816,811	10.2%
Arkansas	992,750	1,146,260	14.3%
Illinois	446,629	666,113	8.3%
Kentucky	657,500	705,391	8.8%
Louisiana	1,574,662	1,638,432	20.4%
Mississippi	1,396,343	1,123,815	14.0%
Missouri	978,891	882,540	11.0%
Tennessee	1,175,764	1,036,443	12.9%
	$ 8,076,339	$ 8,015,805	100.0%

Alabama – Fiscal Year 2009 Federal Grant Program Project Summary
Total 2009 Alabama Projects (9)

1. Wastewater Treatment Plant Upgrade

Grantee: Town of Reform **Federal ID#:** 63-6001355

Grantee Contact: Mayor Frank Criswell **Telephone:** 205-375-6371

County: Pickens **Congressional District:** AL-07

Funding:			
	DRA	$249,970.00	98.04%
	In-Kind	$2,500.00	0.98%
	Applicant	$2,500.00	0.98%
	Total	$254,970.00	100.00%

Project Description: To upgrade the City's aging waste water treatment plant. Replace two aerators, rework the clarifier, replace two sludge pumps and install a water line to the facility for cleaning purposes.

Benefits/Outcomes: Adequate wastewater treatment for the entire City of Reform.
1978 citizens.

2. Phoenix City Geographic Information System (GIS)

Grantee: City of Phoenix City **Federal ID#:** 63-6001343

Grantee Contact: H. S. Coulter, Mayor **Telephone:** 334-448-2009

County: Russell **Congressional District:** 3rd

Funding:			
	DRA	$30,000.00	60.00%
	Applicant	$20,000.00	40.00%
	Total	$50,000.00	100.00%

Project Description: The Delta Regional Authority's investment will allow the City to purchase a GPS System, 3 handheld GPS receivers, 1 laptop, 1 printer/plotter, and data link. Phoenix City will match DRA's investment with $20,000 from their general fund. Additionally, the City will include on-going maintenance and technical support services, license fees, and software upgrades in future budgets.

Benefits/Outcomes: Benefits: The city will have accurate and up-to-date data which will be available to all departments and elected officials for strategic planning and policy decision-making. Also, the GIS will be utilized to effectively plan, maintain, repair and expand water, sewer, drainage and road services, leading to higher productivity levels and a more efficient use of resources. Outcome: Establishment of an accurate and maintained city-wide GIS.

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3. Water Line Upgrade

Grantee: Town of Hayneville **Federal ID#:** 63-0572609

Grantee Contact: Mayor Bell **Telephone:** 334-548-2128

County: Lowndes **Congressional District:** 2nd

Funding:			
	DRA	$88,875.00	80.00%
	In-kind	$22,219.00	20.00%
	Total	$111,094.00	100.00%

Project Description: This project will allow the water system to provide proper water pressure to citizens by upgrading water lines to a larger six inch diameter size. This project will also upgrade and provide operational fire hydrants for Haynesville residents and businesses.

Benefits/Outcomes: The benefits include: Sufficient water pressure for water system customers. Business and job retention due to sufficient water pressure for business operations. Sustainable homeowners insurance rates for residents created by proper fire protection. Reduction in water service interruption due to service line leaks and breaks.

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4. GIS Water Line Mapping

Grantee: Alabama-Tombigbee Regional Commission **Federal ID#:** 63-0588933

Grantee Contact: Ms. Toreatha Johnson **Telephone:** 334-682-4234

County: **Congressional District:** AL-01/07

Funding:			
	DRA	$150,000.00	83.33%
	Applicant	$30,000.00	16.67%
	Total	$180,000.00	100.00%

Project Description: To map public water lines within Choctaw, Perry and Wilcox Counties that are three inch diameter or greater.

Benefits/Outcomes: To provide a resource tool for water systems, ATRC and the State of Alabama.

5. Windy Hills Wastewater Treatment Plant

Grantee: Sumter County Sewer Authority

Federal ID#: 26-0595838

Grantee Contact: Douglas Fulghum

Telephone: 205-652-6500

County: Sumter

Congressional District: AL-07

Funding:			
	DRA	$200,000.00	100.00%
	Total	$200,000.00	100.00%

Project Description: Clean pond #1 and install an ultraviolet effluent system, re-level tops of dikes and repair piping between all three ponds.

Benefits/Outcomes: Provide wastewater treatment to 380 households.

6. Church Street Sewage Pump Station Replacement

Grantee: Town of Grove Hill

Federal ID#: 63-6001284

Grantee Contact: Mayor Jerry Newton

Telephone: 251-275-3153

County: Clarke

Congressional District: AL-01

Funding:			
	DRA	$175,000.00	89.74%
	Applicant	$20,000.00	10.26%
	Total	$195,000.00	100.00%

Project Description: Replace an undersized sewage pumping station with new precast concrete well, submersible sewage pumps, electrical controls and a standby generator.

Benefits/Outcomes: To provide better sewer service to the northern section of town including 55 residential customers as well as commercial and industrial areas along US 43.

7. Valley Grande Water Improvements

Grantee: Town of Valley Grande **Federal ID#:** 27-0055608

Grantee Contact: Mayor Tom Lee **Telephone:** 334-875-2929

County: Dallas **Congressional District:** AL-07

Funding:			
	DRA	$99,342.00	90.00%
	Applicant	$11,038.00	10.00%
	Total	$110,380.00	100.00%

Project Description: To provide water service to an unserved area of Dallas County by installing approximately 7,240LF of 6" PVC water main and approximately 6,550LF of 3" PVC water main, including all necessary valves, fittings, etc.

Benefits/Outcomes: Potable water will be supplied to 26 residences (80 citizens) and increased revenue for the water authority.

8. Fort Deposit Water System Mapping

Grantee: South Central Development Commission **Federal ID#:** 63-0620430

Grantee Contact: Tyson Howard **Telephone:** 334-244-6903

County: Montgomery **Congressional District:** 2nd

Funding:			
	DRA	$20,000.00	90.00%
	SCADC	$2,000.00	9.09%
	Total	$22,000.00	100.00%

Project Description: This will purchase mapping equipment and software as well as provide training for equipment purchased so that technicians will be able to efficiently digitally mapped water lines served by the Fort Deposit Water Authority.

Benefits/Outcomes: Fort Deposit Water Authority waterlines and waterline connections will be mapped using Arc View GIS software. The town will have the equipment and knowledge to maintain the digital map.

9. Bullock County Water System Mapping

Grantee: South Central Development Commission **Federal ID#:** 63-0620430

Grantee Contact: Tyson Howard **Telephone:** 334-244-6903

County: Montgomery **Congressional District:** 2nd

Funding:			
	DRA	$70,000.00	90.00%
	Local	$7,000.00	9.09%
	Total	$77,000.00	100.00%

Project Description: The project will consist of a surveyor of the water systems in Bullock County. The project manager will then map the information into the CIS mapping system.

Benefits/Outcomes: All Bullock County waterlines and waterline connections will be mapped using Arc View GIS software. Water systems will be able to execute repairs more efficiently and better plan for natural disasters and economic development.

Arkansas – Fiscal Year2009 Federal Grant Program Project Summary
Total 2009 Arkansas Projects (4)

1. Osceola Riverport

Grantee: City of Osceola **Federal ID#:** 71-6016933

Grantee Contact: Mayor Kennemore **Telephone:** 870-563-5102

County: Mississippi **Congressional District:**

Funding:

DRA	$400,000.00	16.90%
EDA	$1,460,515.00	61.50%
State	$300,000.00	12.60%
Private	$234,985.00	9.00%
Total	$2,395,500.00	100.00%

Project Description: DRA funds will be used to do the site work and construction of a flotation barge. This project is located at Osceola Riverport which is owned by the City of Osceola.

Benefits/Outcomes: The benefits derived from the project will be 9 full time jobs, and 19 full time jobs retained, maintaining 28 full time jobs.

2. Dumas Technology and Education Center

Grantee: City of Dumas **Federal ID#:** 71-6002431

Grantee Contact: Marion Gill, Mayor **Telephone:** 870-382-2121

County: Desha **Congressional District:** 4th

Funding:

DRA	$307,000.00	53.64%
Applicant	$15,304.00	2.67%
CDBG	$250,000.00	43.68%
Total	$572,304.00	100.00%

Project Description: Delta Regional Authority funds will be used to purchase the property consisting of a lot with two buildings and paved parking lot. The CDBG funds will be used for renovations of Building A. Building B is currently used for storage but will be renovated as classroom space when additional funds are secured.

Benefits/Outcomes: Output: 175 local residents will gain education and technology skills during the first year of operation. Outcome: 125 or more local residents will improve their income because of improved training and remain in the Dumas area.

3. Hartz Road Improvements to Colusa Biomass-Ethanol Plant Site

Grantee: City of Stuttgart **Federal ID#:** 71-6016820

Grantee Contact: Marianne Maynard, Mayor **Telephone:** 870-673-3535

County: Arkansas **Congressional District:** 1st

Funding:	DRA	$350,000.00	31.89%
	EDA	$637,750.00	58.11%
	Applicant	$109,750.00	10.00%
	Total	$1,097,500.00	100.00%

Project Description: Upgrade Hartz Road to include; repairing soft spots, fill-pit-silty sand clay compacted, cement stabilization upper 6 inches, crushed stone base 8",class 7, asphaltic concrete-black base 2.5",asphaltic concrete surface base 1.5", grading, shaping side, seeding, fertilizing, and straw on side slopes, and striping centerline. Fire main and water service; 4080 LF of 12"PVC pipe, 400LF 8" PVC pipe, 7 each fire hydrants. Sewer extension; 1,300 LF 10" PVC pipe, 9 each manhole stubs and connections.

Benefits/Outcomes: Construction and operation of the new biomass plant will create 45 new jobs.

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4. Port Dumping and Conveyor System

Grantee: City of Camden Port Authority **Federal ID#:** 71-6001458

Grantee Contact: Chris Claybaker, Mayor **Telephone:** 870-836-6436

County: Quachita **Congressional District:** 4th

Funding:	DRA	$400,000.00	8.39%
	EDA	$2,400,000.00	50.34%
	Phoenix	$1,967,200.00	41.27%
	Total	$4,767,200.00	100.00%

Project Description: Construction of a truck dumping system and conveyor system to facilitate barge loading and unloading.

Benefits/Outcomes: Phoenix Renewable Energy will create 49 new jobs to operate their biomass pellet facility.

Illinois – Fiscal Year2009 Federal Grant Program Project Summary
Total 2009 Illinois Projects (9)

1. DuQuoin Industrial Park Road

Grantee: City of DuQuoin **Federal ID#:** 37-6001789

Grantee Contact: John Rednour, Mayor **Telephone:** 618-542-3841

County: Perry **Congressional District:** 12th

Funding:

DRA	$52,500.00	10.00%
DOT	$420,000.00	80.00%
Applicant	$52,500.00	10.00%
Total	$525,000.00	100.00%

Project Description: Construction of 1220 linear feet of truck class concrete street to include 4" aggregate base, 8' of concrete pavement, 300 feet of storm sewer, and mulching, seeding, fertilization.

Benefits/Outcomes: Retention of forty (40) full time jobs.

2. West Frankfort Incubator Infrastructure

Grantee: City of West Frankfort **Federal ID#:** 37-6000857

Grantee Contact: Marion Presley **Telephone:** 618-937-4512

County: Franklin **Congressional District:** IL12

Funding:

DRA	$150,000.00	75.00%
Local	$50,000.00	25.00%
Total	$200,000.00	100.00%

Project Description: Construct a parking lot on the east side and resurface the south lot of the W. Frankfort Business Incubator. Renovate a semi-truck access to Burrell Mining located at the incubator. Insulate certain areas of the building and install and replace gutters on the building.

Benefits/Outcomes: Over the next year it is anticipated that 19 new employees will be hired by current tenants of the incubator.

3. Business Park East Fiber Optic

Grantee: Carbondale Business Development Corp. **Federal ID#:** 37-0564500

Grantee Contact: William Oliver **Telephone:** 618-457-3226

County: Jackson **Congressional District:** 12

Funding:

DRA	$77,427.00	65.90%
Applicant	$10,000.00	11.44%
Local	$30,000.00	25.50%
Total	$87,427.00	100.00%

Project Description: The project will construct 3,500 feet of fiber optic cable in the Carbondale Business Park East, connecting 10 businesses to broadband Internet access. This will include the installation of two fiber conduits and at least five connection vaults to house the cable

Benefits/Outcomes: The project will connect 10 businesses with 139 employees to high speed internet. The access to broadband Internet will connect current and prospective businesses to the global economy, increasing sales. In addition the access to fiber optic cable will attract higher caliber jobs, providing higher wages and often health benefits.

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4. Saline County E-911 Next Generation Equipment

Grantee: Saline county E-911 **Federal ID#:** 37-6001996

Grantee Contact: Tracy Felty **Telephone:** 618-252-8661

County: 18-25 counties **Congressional District:** 12,15,19

Funding:

DRA	$100,000.00	6.00%
Federal	$600,000.00	37.00%
Local	$50,000.00	3.00%
Fed. Earmark	$870,000.00	54.00%
Total	$700,000.00	100.00%

Project Description: DRA funds will be used to purchase the Next Generation E 911equipment and network equipment. This equipment will be used in multiple Southern Illinois Counties not only for regular 911 calls but will be used as the back-up to each other's county when a disaster or emergency strikes.

Benefits/Outcomes: The benefits to the CSI-911 project means that a area left out of emerging technology will be at the front of line, better access to emergency services by the deaf community and regional assistance that can spread to several states additional economic development efforts and job retention.

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5. Fire Science Training Program

Grantee: Southeastern Illinois College **Federal ID#:** 37-0906582

Grantee Contact: Dr. Dana Keating **Telephone:** 618-252-5400

County: 5 counties **Congressional District:** 19th

Funding:			
	DRA	$52,500.00	15.00%
	Federal	$190,000.00	53.00%
	Local	$26,300.00	7.00%
	Applicant	$87,500.00	25.00%
	Total	$356,300.00	100.00%

Project Description: DRA funds will be used to purchase instructional equipment and /or training props that are essential for the burn tunnel facility and training program.

Benefits/Outcomes: Training will be provided to at least 10 regional coal mines utilizing the equipment and or/ training props within one year of the award. There will also serve as a training prop for local and regional fire departments, and enhance homeland security training opportunities.

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6. Hardin County General Hospital-New Communications Tower

Grantee: Hardin County General Hospital **Federal ID#:** 37-0702309

Grantee Contact: Roby Williams **Telephone:** 618-285-6634

County: Hardin & Pope **Congressional District:** 19

Funding:			
	DRA	$42,922.00	90.00%
	Applicant	$4,542.00	10.00%
	Total	$47,464.00	100.00%

Project Description: DRA funds will be used to purchase and install a new communication tower for Hardin County General Hospital.

Benefits/Outcomes: The communication tower replacement will result in the placement of a new free standing communication tower on hospital grounds with antennas for daily communication to ambulance services, as well as two disaster communication antennas.

7. Flood Pump Project

Grantee: City of Harrisburg

Federal ID#: 37-6001994

Grantee Contact: Mayor Mitchell

Telephone: 618-253-7740

County: Saline

Congressional District: 19th

Funding:			
	DRA	$200,000.00	10.00%
	Local	$1,800,000.00	90.00%
	Total	$2,000,000.00	100.00%

Project Description: The project is the construction of a storm water pumping station with dual pumps capable of pumping an additional 40,000 gallons per minute over the levee and out of the Pankey Branch watershed. This will help to prevent catastrophic flooding in the commercial portion of the City.

Benefits/Outcomes: The pumps will safeguard residents from this catastrophic flooding within the city boundaries. The prevention of flooding in the northeast portion of the city will save 74 l businesses in the City of Harrisburg. Approximately 1100 jobs were lost or discontinued for an extended period of time.

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8. Water Line Replacement

Grantee: Village of Elizabethtown

Federal ID#: 37-6006203

Grantee Contact: Eddie Rose

Telephone: 618-287-2191

County: Hardin

Congressional District: IL-19

Funding:			
	DRA	$50,000.00	4.03%
	RD-Grant	$419,692.00	33.86%
	RD-Loan	$419,693.00	33.86%
	CDBG	$350,000.00	28.24%
	Total	$1,239,385.00	100.00%

Project Description: The complete replacement of the existing water distribution system including, approx. 22,000LF of 6" pipe, replacement of 40 hydrants and 290 meters and renovation of the elevated storage tank.

Benefits/Outcomes: Safe, sanitary water for the village's businesses and 348 residents.

9. Reconstruction of Industrial Park Access Road

Grantee: Village of Norris City	**Federal ID#:** 37-6002354
Grantee Contact:	**Telephone:** 618-378-3611
County: White	**Congressional District:** IL15,19

Funding:			
	DRA	$127,379.00	42.67%
	IDOT	$171,150.00	57.33%
	Total	$298,529.00	100.00%

Project Description: Construct a roadway on property owned by the Village of Norris City. .26 miles will be an 80,000lb truck access road that leads to the Norris City Industrial Park.

Benefits/Outcomes: Retain 27 jobs at Bucyrus, Inc. located in the industrial park.

Kentucky – Fiscal Year 2009 Federal Grant Program Project Summary Total 2009 Kentucky Projects (3)

1. Connect GRADD-Regional Broadband Project

Grantee: Green River Area Development District **Federal ID#:** 61-0706096

Grantee Contact: Jiten S. Shah **Telephone:** 270-926-4433

County: Daviess County **Congressional District:** 1st

Funding:			
	DRA	$202,738.00	100.00%
	Total	$202,738.00	100.00%

Project Description: The project will consist of three components. 1.) The location of one (1) new broadband tower within each of GRADD's Delta Counties - Henderson, McLean, Union and Webster. The locations have been selected in communities of Sebree (Webster County), Beech Grove (McLean County), Sturgis (Union County) and Spottsville (Henderson County). 2.) The provision and use of portable generator power to operate the aforementioned broadband towers. 3.) The installation of required infrastructure equipment at each tower - specifically, CCM Micro switches, Backhauls, Access Points, Antennas, UPS adapters, and cabling/pipe /mount/surge suppressors for each tower.

Benefits/Outcomes: Increased access to broadband internet will allow citizens to continue their education, work from home, or be active participants in a global marketplace. The project will allow businesses the opportunity to relocate to a region with widespread broadband access.

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2. Geographic Information System Server Implementation

Grantee: Union County Fiscal Court **Federal ID#:** 61-6000887

Grantee Contact: Jody Jenkins **Telephone:** 270-389-1081

County: Union **Congressional District:** 1st

Funding:			
	DRA	$149,493.00	100.00%
	Total	$149,493.00	100.00%

Project Description: Purchase Small Business Server, Domain Back Up Server, Acquisition of licenses of software components, Systems Integration Services, Training necessary for on-going support of applications, Application development resources to modified code as needed to interface with existing systems, Web development resources to customize web pages to satisfy governments requirements.

Benefits/Outcomes: Union County residents, businesses and other interested parties will be aware and have access to the GIS services division and its role in planning and economic development of the county.

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3. Marshall County Public Health Facility

Grantee: Marshall County Health Department **Federal ID#:** 61-1154200

Grantee Contact: Mike Miller, Chairman **Telephone:** 270-527-4750

County: Marshall **Congressional District:** 1st

Funding:			
	DRA	$400,000.00	10.00%
	Applicant	$2,100,000.00	52.50%
	KACO	$1,000,000.00	25.00%
	CDBG	$500,000.00	12.50%
	Total	$4,000,000.00	100.00%

Project Description: Construction of a two-story building with 23,865 square feet of space. The architect's estimate is as follows: Site Work - $400,000, Building - $3,000,000, Furniture, Fixtures, and Equipment - $300,000, and Contingency - $300,000.

Benefits/Outcomes: The facility will allow the health department to meet the quality of service which is to be expected, and will allow for the maximization of current and new programs for the benefit of the populace.

Louisiana - Fiscal Year2009 Federal Grant Program Project Summary
Total 2009 Louisiana Projects (22)

1. Conversion of South WWTP Oxidation Ditch for Pre-Treatment of High Strength BOD

Grantee: City of Hammond **Federal ID#:** 72-0573539

Grantee Contact: Mayor Mayson Foster **Telephone:** 985-277-5600

County: Tangipahoa **Congressional District:** 1st

Funding:			
	DRA	$150,000.00	37.50%
	State	$35,000.00	8.75%
	Local	$215,000.00	53.75%
	Total	$400,000.00	100.00%

Project Description: This project will intercept high-strength BOD loading from the Winn-Dixie/Sunshine Dairy processing distribution facility into a converted existing ditch. The work includes (1) converting the existing concrete ditch with new walls and piping, (2) installation of fine bubble diffuser aeration system to accelerate treatment and (3) construction of a high flow/low head pump station to transport the pre-transport the pre-treated wastewater into cell #1 of the city's existing South WWTP.

Benefits/Outcomes: With increased population and commercial growth in this sector of the City, it is imperative that proactive measures be taken to construct and install infrastructure to preserve and anticipate quality of life concerns.

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2. Wastewater Treatment Plant Headwork's Expansion

Grantee: Town of Amite City **Federal ID#:** 72-6000081

Grantee Contact: Mayor R.E. Goldsby, MD **Telephone:** 985-748-9039

County: Tangipahoa **Congressional District:** LA-01

Funding:			
	DRA	$150,000.00	100.00%
	Total	$150,000.00	100.00%

Project Description: To increase capacity of the wastewater treatment facility by installing (up to) 3 additional acres at the Headworks.

Benefits/Outcomes: 48 jobs will be retained and 10 new jobs will be added by Manda Packing Company. The added capacity will also provide infrastructure necessary to support economic development in the town.

3. GIS Project

Grantee: Caldwell Parish Assessor

Federal ID#: 72-6000240

Grantee Contact: Scott Meredith

Telephone: 318-649-2636

County: Caldwell

Congressional District: LA-05

Funding:			
	DRA	$62,000.00	100.00%
	Total	$62,000.00	100.00%

Project Description: Indentify parcel ownership of approximately 10,000 parcels of land in Caldwell Parish, which will be easily accessible by all areas of the parish government and property owners.

Benefits/Outcomes: To provide an accurate database that can be utilized by different agencies for the betterment of the citizens.

4. Sewer System Project

Grantee: Town of Oak Grove

Federal ID#: 72-6001027

Grantee Contact: Mr. Lavelle Brown

Telephone: 318-428-3275

County: West Carroll

Congressional District: LA-05

Funding:			
	DRA	$52,000.00	11.05%
	Local	$37,200.00	7.91%
	LCDBG	$381,275.00	81.04%
	Total	$470,475.00	100.00%

Project Description: The gravity sewer collection main and manholes in the target areas will be repaired by replacing portions of the existing gravity sewer lines. Renovate lift station #7.

Benefits/Outcomes: Eliminate unsanitary environment.

5. GIS Project

Grantee: West Carroll Parish Assessor **Federal ID#:** 72-6001488

Grantee Contact: DeAnna Smith **Telephone:** 318-428-2371

County: West Carroll **Congressional District:** LA-05

Funding:			
	DRA	$62,000.00	44.21%
	07 DRA	$78,250.00	55.79%
	Total	$140,250.00	100.00%

Project Description: Purchase computers and printers to store and access aerial photography of West Carroll Parish in conjunction with multiple layers of data.

Benefits/Outcomes: Three tax assessor office employees will be trained on this system. Provide comprehensive mapping solutions for multiple public agencies.

6. GIS Project

Grantee: East Carrol Parish Tax Assessor **Federal ID#:** 72-6000360

Grantee Contact: Geneva Odom **Telephone:** 318-559-2850

County: East Carroll **Congressional District:** LA-05

Funding:			
	DRA	$62,000.00	100.00%
	Total	$62,000.00	100.00%

Project Description: Purchasing computers and printers to store and access aerial photography in conjunction with layers of ownership, parish roads and section lines.

Benefits/Outcomes: Two people in the tax assessor's office will be trained on the system and the information will be made available to taxpayers and other public entities.

7. Sparta Aquifer and Sewer Capacity Expansion

Grantee: West Ouachita Sewerage District No. 16 **Federal ID#:** 72-6001064

Grantee Contact: Kevin Crosby **Telephone:** 318-387-2710

County: Ouachita Parish **Congressional District:** 5th

Funding:			
	DRA	$100,000.00	4.90%
	DEQ	$1,944,175.00	95.11%
	Total	$2,044,175.00	100.00%

Project Description: The Project consists of construction 6,075 linear feet of 24" gravity sewer trunk line, 17 sewer manholes, new lift station on south side of New Natchitoches Road, 12,380 linear feet of 12" sewer force main, and two road bores. The project will enter into the design phase once all funding is in place. The project has not begun and will not begin until the application is approved, grant closing documents executed, and authorization to proce3ed issued by DRA.

Benefits/Outcomes: Provide additional capacity at certain lift stations within WOSD No.5 that are at capacity. Developers will have capability to develop land and have public sewer. Graphic Packaging can further reduce their usage of the Sparta Aquifer.

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8. Security Fence and Entry Control

Grantee: Greater Ouachita Port Commission **Federal ID#:** 22-3874216

Grantee Contact: Richard Guillot **Telephone:** 318-366-5774

County: Ouachita **Congressional District:** LA-05

Funding:			
	DRA	S100,000.00	46.48%
	Cap. Outlay	S115,135.00	53.52%
	Total	$215,135.00	100.00%

Project Description: Construct approximately 3,525' of chain link fence with 3-stands of barbed wire, 3 swing gate assemblies and 3 rolling gate assemblies.

Benefits/Outcomes: To help retain 4 full time jobs at the port.

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9. Upgrade Access Road to Industrial Site

Grantee: City of Winnsboro **Federal ID#:** 72-6001509

Grantee Contact: Mayor Jack Hammons **Telephone:** 318-435-9087

County: Franklin **Congressional District:** LA-05

Funding:			
	DRA	$110,000.00	100.00%
	Total	$110,000.00	100.00%

Project Description: Improvements to a publicly owned industrial park site, leased to Winnsboro Rubber Recycling, Inc. including access roads, loading dock, and parking area for the plant site.

Benefits/Outcomes: Retain 18 jobs with Winnsboro Rubber Recycling, Inc.

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10. Lift Station Wet Well Rehabilitation

Grantee: Town of Rayville **Federal ID#:** 72-6001133

Grantee Contact: Mayor Harry Lewis **Telephone:** 318-728-2011

County: Richland **Congressional District:** LA-05

Funding:			
	DRA	$100,000.00	100.00%
	Total	$100,000.00	100.00%

Project Description: Increase wet well storage capacity at the Louisa Street and McGowen Street lift stations and at the Christian Drive lift station if funding allows. This will be accomplished by adding a new 8' X 16' precast concrete wet well next to the existing wet well tied together with 24" pipe.

Benefits/Outcomes: A more functional sewer system that will be able to handle current needs as well as future growth.

---

11. Water System Rehabilitation

Grantee: Start Water System

Federal ID#: 72-1074484

Grantee Contact: David Moore

Telephone: 318-728-5145

County: Richland

Congressional District: LA-05

Funding:	DRA	$225,000.00	100.00%
	Total	$225,000.00	100.00%

Project Description: Locate and purchase site for future wells (2-500GPM wells) and install 4" mains on Leon Road and on South Ridge Road to service approximately 15 residences not currently on the water system.

Benefits/Outcomes: 15 new families will be added to the system.

---

12. Water System Rehabilitation

Grantee: Town of Mangham

Federal ID#: 72-6001613

Grantee Contact: Mayor Robert Neal Harwell

Telephone: 318-248-7120

County: Richland

Congressional District: LA-05

Funding:	DRA	$150,000.00	100.00%
	Total	$150,000.00	100.00%

Project Description: Rehabilitate the existing 300 GPM water well and add yard piping to allow direct pumping into a recently constructed elevated water tank.

Benefits/Outcomes: Provide a backup water supply capable of handling existing demand and anticipated future growth.

13. Yokely Road Extension, Surfacing and Addition of Water and Sewer Lines.

Grantee: City of Franklin

Federal ID#: 72-6000470

Grantee Contact: Raymond Harris, Mayor

Telephone: 985-828-3631

County: St. Mary

Congressional District: 3rd

Funding:

DRA	$250,000.00	32.01%
Applicant	$194,800.00	24.94%
Parish Gov	$236,305.00	30.25%
Priv. Entity	$100,000.00	12.80%
Total	$781,105.00	100.00%

Project Description: The proposed road improvements include base stabilizing, base shaping and installation of 22 foot wide asphalt surfacing for a length of approximately 2,254 linear feet. The sewer system will include a 75 gallon per minute sewer pump station and approximately 4,400 linear feet of sewer force main to connect to the existing sewerage collection system. And water will be provided by installing 4,500 linear feet of waterline to tie into the existing water distribution system.

Benefits/Outcomes: Per the Private Entity Participation Agreement, 80 employees will be retained. Per the application 90 jobs will be retained and 40 jobs will be created . Also another company has expressed interest which will bring approximately 200 new jobs to the area.

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14. Water System Project

Grantee: Town of Gramercy

Federal ID#: 72-6010409

Grantee Contact: Mayor Bourgeois

Telephone: 225-869-4403

County: St. James Parish

Congressional District: 3rd

Funding:

DRA	$150,000.00	19.00%
DRA 08'	$340,000.00	42.00%
EPA	$194,797.00	24.00%
State	$35,000.00	4.00%
Local	$82,414.00	12.00%
Total	$802,211.00	100.00%

Project Description: The Town of Gramercy will upgrade two clarifiers at the water treatment plant and repair and paint the elevated storage tank.

Benefits/Outcomes: Improved water treatment for 3,460 residents and several major food processors and other industries.

15. Commercial Vehicle Operations Practice Pad

Grantee: Louisiana Technical College **Federal ID#:** 72-1470584

Grantee Contact: Gregory Garrett **Telephone:** 985-380-2436

County: 7 distressed parishes **Congressional District:** 3rd

Funding:			
	DRA	$150,000.00	60.00%
	Local	$100,000.00	40.00%
	Total	$250,000.00	100.00%

Project Description: The practice pad is required for students to meet the curriculum competencies including but not limited to backing and docking vehicle, couple and uncouple vehicle, loading and securing cargo, and pre-trip inspections. The practice pad is needed for training at all times with students entering the program on a three week cycle.

Benefits/Outcomes: This project will include both the expansion and improvements to the practice pad for students to have an area in which these techniques can be practiced.

16. Sewer Project

Grantee: Town of Olla **Federal ID#:** 72-6001034

Grantee Contact: Mayor Wanda Love **Telephone:** 318-495-5151

County: LaSalle **Congressional District:** LA-05

Funding:			
	DRA	$110,000.00	81.48%
	Grantee	$25,000.00	18.52%
	Total	$135,000.00	100.00%

Project Description: Construction of a sewer lift station and necessary lines for tie-in to the public sewer system.

Benefits/Outcomes: A prepared site (51-acre industrial park) used competitively in marketing and recruiting to advance private investment activity and value-added opportunities in the area's wood industry.

17. GIS Project

Grantee: LaSalle Parish Assessor **Federal ID#:** 72-6000661

Grantee Contact: John Aron **Telephone:** 318-992-8256

County: LaSalle **Congressional District:** LA-04

Funding:	DRA	$62,000.00	83.22%
	Local	$12,500.00	16.78%
	Total	$74,500.00	100.00%

Project Description: Purchase and install software and/or upgrades, technology equipment and supply components necessary supplies to initiate their use and consulting to provide for on-the-job training of agency staff.

Benefits/Outcomes: Improve the services of the Tax Assessor's Office as well as other public offices in LaSalle Parish

18. Geographic Information System for Parish Assessor Office

Grantee: Catahoula Parish Assessor's Office **Federal ID#:** 72-6000266

Grantee Contact: Carmon Walker **Telephone:** 318-744-5291

County: Catahoula **Congressional District:** 5

Funding:	DRA	$62,000.00	86.34%
	Office HLS	$9,810.00	13.66%
	Total	$71,810.00	100.00%

Project Description: Equipment and software purchases needed to accommodate project, contractual services to convert/digitize maps, create initial base layers, and training for layer manipulation.

Benefits/Outcomes: Improved service of the Catahoula Parish Tax Assessor's Office, enhanced partnership function of public partners in localized projects, and opportunities for compiling layer data for various planning and service functions.

19. Repair and Upgrade of Water Distribution Lines

Grantee: Town of Haynesville | **Federal ID#:** 72-6000510

Grantee Contact: Sherman Brown | **Telephone:** 318-624-0911

County: Claiborne | **Congressional District:** LA04

Funding:			
	DRA	$25,000.00	92.59%
	Local	$2,000.00	7.41%
	Total	$27,000.00	100.00%

Project Description: Replace 650' of 1" pipe with 2" pipe in one location and in another location replace 1700' of 2" pipe with 3" pipe.

Benefits/Outcomes: 2350' of water line will be upgraded and 1268 customers (1104 residents) will receive safer and more reliable drinking water.

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20. Future Land Use, Site Selection, and Workforce Development Online Portal

Grantee: Lincoln Parish Police Jury | **Federal ID#:** 72-6000673

Grantee Contact: Dennis Woodward | **Telephone:** 318-513-6200

County: Lincoln | **Congressional District:** LA05

Funding:			
	DRA	$100,789.00	59.65%
	USDOJ	$68,181.00	40.35%
	Total	$168,970.00	100.00%

Project Description: Phase 1: Future Land Use Development - working with contractors to collect data. Phase 2: Site Selection Portal - working with contactors to develop an online portal for site selection. Phase 3: Workforce Development Portal - working with contractors to develop an online portal for workforce development.

Benefits/Outcomes: Lincoln Parish GIS will integrate Future Land Use Dataset into enterprise GIS. Site Selection Portal and Workforce Development Portals will be used by 50 real estate professionals, business owners, recruiters and government employees to promote and support economic development.

21. Panola Road Construction

Grantee: East Carroll Parish Police Jury **Federal ID#:** 72-6000361

Grantee Contact: Joseph Jackson **Telephone:** 318-559-2256

County: East Carroll **Congressional District:** LA05

Funding:			
	DRA	$150,000.00	100.00%
	Total	$150,000.00	100.00%

Project Description: This project will rehabilitate a public road sufficient for large trucks carrying supplies to Panola Pepper and finished products from Panola Pepper. There is approximately 3,000Lft of road to be rehabilitated. This road is serving residential, farming areas and Panola Pepper.

Benefits/Outcomes: The rehabilitation of the Panola Road will enhance the safety of employees and other persons traveling this road. It will ensure the safe passage of large trucks, as these trucks are essential to the life of the Panola Pepper business. The rehabilitation of the above improvements will assist in the maintaining of 35 jobs.

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22. Rehabilitation of Towns Water Treatment Plant

Grantee: Town of Rayville **Federal ID#:** 72-6001139

Grantee Contact: Harry Lewis, Mayor **Telephone:** 318-728-2011

County: Richland **Congressional District:** 5th

Funding:			
	DRA	$50,000.00	15.33%
	CDBG	$232,520.00	71.29%
	Applicant	$43,660.00	13.39%
	Total	$326,180.00	100.00%

Project Description: Replace the media in the filters and softeners, replace one inoperable pump, and sandblast and paint the piping and pressure vessels.

Benefits/Outcomes: Water will be provided to 172 under served residences.

Mississippi - Fiscal Year2009 Federal Grant Program Project Summary
Total 2009 Mississippi Projects (12)

1. Improvements to County Owned Industrial Building to be Leased to Uncle Ben's Rice

Grantee: Washington County **Federal ID#:** 64-6001198

Grantee Contact: Paul Watson **Telephone:** 662-378-8355

County: Washington **Congressional District:** 2nd

Funding:

DRA	$91,000.00	1.45%
Appl. In-Kind	$473,505.00	7.56%
CDBG	$1,000,000.00	15.96%
DIP	$300,000.00	4.79%
CAP Loan	$4,000,000.00	63.85%
Entergy	$100,000.00	1.60%
ACE	$200,000.00	3.19%
Job Protection	$100,000.00	1.60%
Total	$6,264,505.00	100.00%

Project Description: Renovation of Industrial Building to include demolition of sections, lighting/electrical, HVAC, roofing, building improvements, paving improvements, and fire suppression system improvements.

Benefits/Outcomes: Twenty five full time jobs will be created.

2. United Solutions Access Road

Grantee: Panola County **Federal ID#:** 64-6000940

Grantee Contact: Gary Thompson **Telephone:** 662-563-6200

County: Panola **Congressional District:** 1st

Funding:

DRA	$96,000.00	100.00%
Total	$96,000.00	100.00%

Project Description: The United Solutions Access Road Project will reconstruct an access road.

Benefits/Outcomes: United Solutions will benefit from this project by having a safe entrance/exit for its employees and tractor-trailer trucks to use. There will be twenty new jobs.

3. Rogers Road Project

Grantee: Quitman County Board of Supervisors **Federal ID#:** 64-6001017

Grantee Contact: Brooks Earnest **Telephone:** 662-326-8004

County: Quitman **Congressional District:** MS-02

Funding:	DRA	$125,000.00	30.41%
	State	$100,000.00	24.33%
	Local	$100,000.00	24.33%
	Applicant	$86,016.00	20.93%
	Total	$411,016.00	100.00%

Project Description: The road will have a light and heavy section of paving. The light section will consist of 775 tons of asphalt at 2" thick and the heavy section will consist of 1,875 tons of asphalt at 3" thick.

Benefits/Outcomes: An existing business has agreed to reopen. Improved transportation access will be available to residents and local businesses.

4. Water Lines and Fire Improvements

Grantee: Tallahatchie County **Federal ID#:** 61-6001102

Grantee Contact: Jerome Little **Telephone:** 662-647-5551

County: Tallahatchie **Congressional District:** 2nd

Funding:	DRA	$130,000.00	100.00%
	Total	$130,000.00	100.00%

Project Description: The project consists of installing water lines large enough to support fire plugs. This will increase the fire protection for the county and also permit the appropriate water pressure to stop the infiltration by bacteria in the lines. There will be 33 fire hydrants installed in nine water associations around the county. Two in South Quitman Water, two in West Tallahatchie Utilities , three in Brazil/Sumner Water, three in Phillip Water, three in GTY Water, three in Cascilla Water, ten in North Tallahatchie Water, two in Old Spring Hill Water, and five in Blue Cane Cowart , Tippo Water.

Benefits/Outcomes: This project will benefit the local community with added fire protection, better water pressure and a better fire rating with the State Fire Marshall.

5. Wastewater Treatment, Verner Road Area

Grantee: Tunica County Board of Supervisors **Federal ID#:** 64-6001134

Grantee Contact: William Pegram **Telephone:** 662-363-1465

County: Tunica **Congressional District:** MS-02

Funding:			
	DRA	$100,000.00	11.76%
	Local	$750,000.00	88.24%
	Total	$850,000.00	100.00%

Project Description: Construct a self-contained sewage collection chamber with a grinder pump and control panel and install small diameter (1.5" to 3") pressure sewer lines which discharge to the proposed Cypress Manor Subdivision sewage pumping station.

Benefits/Outcomes: The project will serve approximately 118 residents, eliminating failing septic tanks currently used and allow new homes to be constructed in the area.

6. Pin Oak Subdivision Water Project

Grantee: City of Horn Lake **Federal ID#:** 64-0536486

Grantee Contact: Arianne Jenkins **Telephone:** 662-342-3482

County: DeSoto **Congressional District:** MS-01

Funding:			
	DRA	$55,000.00	59.78%
	Local	$37,000.00	40.22%
	Total	$92,000.00	100.00%

Project Description: Installation of approximately 4,200LF of 8" ductile iron pipe and approximately 11 new fire hydrants.

Benefits/Outcomes: Add 27 households to the current water system.

7. Horn Lake Sewer System Expansion

Grantee: City of Horn Lake **Federal ID#:** 64-0536486

Grantee Contact: Mayor Nat Baker **Telephone:** 662-342-3503

County: DeSoto **Congressional District:** 1st

Funding:			
	DRA	$75,000.00	56.82%
	Local	$57,000.00	43.18%
	Total	$132,000.00	100.00%

Project Description: The Jeffries Hills Subdivision Project consists of six phases. Phase one, which connected approximately 16 residents to the City's which connected approximately 16 residents to the City's sewer system, is complete. The current scope of work is phase two, which will connect approximately 16 more residents to the City's which will connect approximately 16 more residents to the City's sewer system.

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8. Water System Improvements

Grantee: City of Charleston **Federal ID#:** 64-6000217

Grantee Contact: Mayor Robert Rowe **Telephone:** 662-647-5841

County: Tallahatchie **Congressional District:** 2nd

Funding:			
	DRA	$75,040.00	100.00%
	Total	$75,040.00	100.00%

Project Description: The City of Charleston will upgrade three areas of Charleston that have 1 and 2 inch water lines. They will put four inch water lines to allow for appropriate pressure as not to have infiltration by bacteria in the water system.

9. Water System Upgrades and Installation of Fire Hydrants

Grantee: Town of Coahoma

Federal ID#: 64-0681127

Grantee Contact: Mayor W.J. Jones

Telephone: 662-337-4533

County: Coahoma

Congressional District: MS-02

Funding:	DRA	$167,339.00	77.90%
	State	$47,461.00	22.10%
	Total	$214,800.00	100.00%

Project Description: Increase the main line to 8" line (5,000LF) with 6" lateral lines (6,000LF).

Benefits/Outcomes: The community will have adequate water and fire protection.

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10. Waterline Extension Project

Grantee: City of Holly Springs

Federal ID#: 64-0659333

Grantee Contact: Mayor Andre DeBerry

Telephone: 662-252-4280

County: Marshall

Congressional District: MS-01

Funding:	DRA	$206,000.00	6.58%
	USDA	$2,326,600.00	74.27%
	CDBG	$600,000.00	19.15%
	Total	$3,132,600.00	100.00%

Project Description: Installation of approximately 18.2 miles of 8" PVC water main and 18 miles of 6" PVC water main.

Benefits/Outcomes: Provide potable water service to 271 households in rural Marshall County that currently do not have access to public water.

11. Tippah County Incubator Road Improvement

Grantee: NE Mississippi Business Incubator Sys. **Federal ID#:** 64-0818930

Grantee Contact: Ray McClellan **Telephone:** 662-287-4369

County: Alcorn **Congressional District:** MS-01

Funding:			
	DRA	$73,000.00	92.21%
	Local	$6,165.00	7.79%
	Total	$79,165.00	100.00%

Project Description: Access road improvements and truck dock improvements which will allow for larger transport vehicles to receive and ship products from the incubator. Also, provide for improved parking.

Benefits/Outcomes: Create 5 new jobs and help retain 5 other jobs with Mill Creek of Ripley.

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12. Rail Spur Addition

Grantee: City of Horn Lake **Federal ID#:** 64-0536486

Grantee Contact: Mr. Nat Baker, Mayor **Telephone:** 662-342-3488

County: DeSoto **Congressional District:** 1st

Funding:			
	DRA	$200,000.00	8.96%
	CDBG	$400,000.00	17.92%
	Rail Loan	$520,000.00	23.29%
	EDA	$1,112,500.00	49.83%
	Total	$2,232,500.00	100.00%

Project Description: Construction of a rail spur from the adjacent Canadian National/Illinois Central railroad track to the Newly Wed Foods site. The length of track will be approximately 2,500 feet and is proposed to run generally east-west along the south portion of the Newly Wed Foods property line. The construction of the rail spur will require several major items of work including; clearing and grubbing, excavation and fill, sub-ballast and ballast, and steel rail and switching equipment. Based on creosote cross ties, with proper maintenance, the useful life of this project is expected to be 30 years.

Benefits/Outcomes: The specific outcomes of this project will be the retention of 300 jobs, creation of 20 full time jobs, and a $1,250,000.00 investment in the Horn Lake plant.

Missouri - Fiscal Year2009 Federal Grant Program Project Summary
Total 2009 Missouri Projects (5)

1. Pre-Treatment Sewer Plant for Windsor Foods

Grantee: City of Piedmont **Federal ID#:** 43-6005614

Grantee Contact: Mayor Kirkpatrick **Telephone:** 573-223-7660

County: Wayne **Congressional District:** 8th

Funding:

DRA	$200,000.00	23.00%
CDBG	$500,000.00	55.74%
Windsor Foods	$197,700.00	21.00%
Total	$897,000.00	100.00%

Project Description: The project is a pre-treatment facility which will be owned by the City and located on property also owned by the City. The project will consist of a new influent equalization basin and new DAF installed inside a new building. The existing influent equalization tanks and sludge storage tanks will all be used for sludge storage in the new facility.

Benefits/Outcomes: The project will improve water quality. There will also be improved maintenance of existing wastewater treatment facility. Windsor Foods will remain in Piedmont, Missouri and retain a minimum of 150 jobs.

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2. Poplar Bluff Industrial Park Bypass

Grantee: Butler County **Federal ID#:** 43-6000537

Grantee Contact: Ed Strenfel **Telephone:** 573-686-8050

County: Butler **Congressional District:** 8th

Funding:

DRA	$200,000.00	4.80%
Local	$475,000.00	11.40%
FHWA	$938,200.00	22.50%
FHWA	$2,565,000.00	61.39%
Total	$4,178,200.00	100.00%

Project Description: This project consists of constructing a new road that will connect the Industrial Park with Highway 7 at the Route M interchange south of Poplar Bluff. DRA funds will be used to construct the two lane roadway.

Benefits/Outcomes: This project will provide a new two lane road which will be a direct route to access the Industrial Park. This will be a much safer road. The new road will improve the marketability of the Industrial Park to potential employers and aid in the retention of current Industrial Park employers.

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3. Concrete Levee Access Road to Port

Grantee: New Madrid County Port Authority **Federal ID#:** 43-1162827

Grantee Contact: Timmie Hunter **Telephone:** 573-748-2530

County: New Madrid **Congressional District:** 8th

Funding:			
	DRA	$202,370.00	21.59%
	MODOT	$735,000.00	78.41%
	Total	$937,370.00	100.00%

Project Description: Construction of a concrete roadway along levee rod and Missouri Route EE that services the port.

Benefits/Outcomes: United Agri-Products will invest $10,000,000.00 in their facility at the port and create 10 full time jobs at a medium income of $30,700.00 well above the county medium income of $26,826.00.

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4. Missouri Baptist Sullivan Hospital

Grantee: City of Sullivan **Federal ID#:** 43-6003671

Grantee Contact: Mayor JT Hardy **Telephone:** 573-468-4612

County: Crawford **Congressional District:** MO-09

Funding:			
	DRA	$71,308.00	51.32%
	State	$7,822.00	5.63%
	Local	$59,811.00	43.05%
	Total	$138,941.00	100.00%

Project Description: Extend 13 street light poles 4,000' along St. Rt. D from the south service road to Sappington Bridge Road, the entrance to the Hospital. Lighting will be placed on MoDOT right-of-way.

Benefits/Outcomes: 30 new jobs will be created by Missouri Baptist Sullivan Hospital.

5. Rural Water Project

Grantee: Washington County Water District #2 **Federal ID#:** 11-3690443

Grantee Contact: Larry Yount **Telephone:** 573-766-5400

County: Washington **Congressional District:** MO-08

Funding:

DRA	$497,000.00	13.51%
Local Cash	$20,500.00	0.56%
Local Loan	$693,000.00	18.84%
USDA	$1,776,965.00	48.30%
DNR	$191,500.00	5.21%
CDBG	$500,000.00	13.59%
Total	$3,678,965.00	100.00%

Project Description: Installation of a pump in a drilled public acceptable well, storage tank to store 75,000 gallons of water and a distribution system.

Benefits/Outcomes: 137 residential hookups will be added to the system.

6. Installation of mandated disinfection system at wastewater treatment facility

Grantee: City of Steelville **Federal ID#:** 43-6003613

Grantee Contact: Terry Palmer, Mayor **Telephone:** 573-775-2815

County: Crawford **Congressional District:** 9

Funding:

DRA	$76,125.00	51.22%
Applicant	$72,500.00	48.78%
Total	$148,625.00	100.00%

Project Description: Installation of the ultraviolet disinfection unit to include; housing structure, ultraviolet unit, shelter cover, and electrical controls.

Benefits/Outcomes: The city can continue to provide wastewater treatment under a Missouri State Operating Permit.

Tennessee - Fiscal Year2009 Federal Grant Program Project Summary
Total 2009 Tennessee Projects (4)

1. Decatur County General Hospital Picture Archival Communication System

Grantee: Decatur County **Federal ID#:** 62-0674507

Grantee Contact: County Mayor Scott **Telephone:** 731-852-2131

County: Decatur **Congressional District:** 7th

Funding:			
	DRA	$293,365.00	100.00%
	Total	$293,365.00	100.00%

Project Description: This project will purchase and install a PACS system which will provide storage and digital management of imaging within the hospital which allows for tele-radiology.

Benefits/Outcomes: This project will create one Information Technology position and one half-time part-time radiology position, and retain eight radiology positions at DCGH.

2. Water Line Extension to Clay Mine Industry

Grantee: City of Gleason **Federal ID#:** 62-6020470

Grantee Contact: Mayor Little Jack Dunning **Telephone:** 731-648-5547

County: Weakley **Congressional District:** TN-08

Funding:			
	DRA	$212,388.00	100.00%
	Total	$212,388.00	100.00%

Project Description: Install 8" water main along old State Highway 22 in Gleason.

Benefits/Outcomes: The installation of a new 8" water main which will furnish treated water to the clay mine industry as well as provide a means to install fire hydrants.

3. Gumwoods Road Water Line Extension

Grantee: Gibson County **Federal ID#:** 62-6000604

Grantee Contact: Mayor Joe Shepard **Telephone:** 731-855-7613

County: Gibson **Congressional District:** TN-08

Funding:	DRA	$223,035.00	100.00%
	Total	$223,035.00	100.00%

Project Description: Construction of approximately 14,100LF of water line to serve residents along Gumwoods Road.

Benefits/Outcomes: 10 households will be taken off individual water wells and placed on a public water system.

4. Willow Street Extension

Grantee: City of Middleton **Federal ID#:** 62-0801023

Grantee Contact: Mayor James Maxwell **Telephone:** 731-376-8409

County: Hardeman **Congressional District:** TN-07

Funding:	DRA	$216,000.00	100.00%
	Total	$216,000.00	100.00%

Project Description: Construction of approximately 3,100LF of sewer line and small lift station to serve residents along Willow Street.

Benefits/Outcomes: 10 households will be taken off septic tanks and join the wastewater treatment system.

DELTA REGIONAL AUTHORITY -- 2010 FEDERAL GRANT PROGRAM

TIMELINE & INSTRUCTIONS

January 26 -- DRA 2010 Federal Grant Program Announced

The Delta Regional Authority (DRA), consisting of the Federal Co-Chairman and the Governors of the eight participating member states:

• Patrick H. "Pete" Johnson	Federal Co-Chairman,
• Governor Bob Riley	State Co-Chairman, Alabama,
• Governor Mike Beebe	Arkansas,
• Governor Steven Beshear	Kentucky,
• Governor Bobby Jindal	Louisiana,
• Governor Haley Barbour	Mississippi,
• Governor Jay Nixon	Missouri,
• Governor Patrick Quinn	Illinois,
• Governor Phil Bredesen	Tennessee

will make available to its Members of Congress, the Region's 45 local development districts (LDDs) and the general public its pre-application package for the DRA 2010 Federal Grant Program.

The DRA's 2010 "Uniform Pre-Application Package" will include the:

1. Cover Letter,

2. Simplified Process and Timeline,

3. DRA 2010 Uniform Grant Pre-Application Form,

4. Application for Federal Assistance – Standard Form 424and; 424a & 424b non-construction projects or 424c & 424d construction projects.

5. "Attachment A.1 – Distressed Counties" -- Determined by the Delta Regional Authority in September 24, 2009.

If the project assists a private entity to locate and create jobs or an existing entity is involved in the retention of jobs, then a completed **Participation Agreement is required**. The Participation Agreement is posted as a document on the DRA website www.dra.gov under the Federal Grant Program. Failure to provide the

Participation Agreement will result in an incomplete pre-application and disqualification.

The DRA 2010 "Uniform Pre-Application Package" can also be accessed through:

- DRA's web site, www.dra.gov, "DRA 2010 Federal Grant Program", or by
- Calling: 1-888-GO TO DRA,
- Writing: DRA 2010 Federal Grant Program – Pre-Application Team
  Delta Regional Authority
  236 Sharkey Avenue – Suite 400
  Clarksdale, MS 38614
- Your Local Development District: For a list of the Region's LDD contacts, please refer to www.dra.gov "DRA 2010 Federal Grant Program"

Please note: as DRA will periodically update its site with new information, clarification, etc., it will be to your advantage to frequently refer to www.dra.gov "DRA 2010 Federal Grant Program" to learn of these updates.

Commencing February 1 – Local Development Districts – Publicize, Educate and Assist

The LDDs will be the "front-line" facilitators, within their districts, to publicize, educate and provide technical assistance for the DRA 2010 Federal Grant Program's pre-application process. Specifically, commencing February 1, each LDD will begin publicizing the DRA 2010 Federal Grant Program through their hosting of public-information forums plus all other means appropriate to their respective client bases.

Each LDD will be the principal contact for the provision of technical and pre-application assistance to the pre-applicants in its area throughout this sixty-day period, from announcement to pre-application deadline.

On a separate but important note, most DRA 2010 Federal Grant Program projects will be administered by agencies other than the DRA. These agencies are referred to as "Administering Agencies". If either USDA Rural Development or the Economic Development Administration is a participant in the project, then DRA will have a supplement grant and the applicable for mentioned Agency will administer the DRA supplement grant. Otherwise, the Local Development district will administer the DRA portion of the project.

Please note: these services (publicity, education and technical assistance for pre-application preparation) to be provided by the Region's LDDs will be provided at no cost to the public, as the Delta Regional Authority has allocated the funds to, and has an agreement with, each LDD specifically for these purposes.

During February – All LDDs Host Public Forums

The Local Development will hold public forums to educated and assist the public concerning the Delta Regional Authority 2010 Federal Grant Program.

March 15 -- Pre-application Due at Local Development District

Please note: All pre-application packages must be received by the Local Development District no later than Noon CDT, March 15, 2010. The Local Development Districts will screen the pre-applications for completeness. Packages received after that time will automatically be deemed ineligible for DRA 2010 Federal Grant funds, with no recourse.

PRE-APPLICATIONS WILL ONLY BE ACCEPTED THROUGH YOUR LOCAL DEVELOPMENT DISTRICT, WHICH MUST BE LISTED ON THE LDD TRANSMITTAL COVER LETTER.

All submitted pre-application packages MUST include both the completed "Uniform Pre-Application Form" and the appropriate Federal Standard Forms 424 and (424a & 424b non-construction or 424c & 424d construction)

Please include in your submission to DRA:

1. One set of originals for DRA review,
2. One set of copies, which DRA will send to the participating state member and
3. One set of copies, which DRA will send to the (prospective) Administering Agency

And please send the packages to:

Your Local Development District office, the address can be found a www.dra.gov Local Development Districts in the 2010 Federal Grant program tab.

March 29– Local Development Districts Forward Pre-Applications

Local Development Districts package complete Pre-Applications and send original plus one copy to DRA. Local Development Districts will also send a copy to their Governor's office DRA contact at the same time.

Please note: Failure to submit complete pre-application packages and/or the requisite number of copies will automatically render the submission automatically ineligible for DRA 2010 Federal Grant funds, with no recourse.

No Later Than April 30 -- Project Eligibility Shall Be Determined

Project eligibility for the DRA 2010 Federal Grant Program will be completed no later than April 30 and will be determined by the Federal Co-Chairman, based on:

1. The eligibility guidelines as prescribed by the U.S. Congress in the "Delta Regional Authority Act of 2000", as amended (Attachment A -- Eligibility),

2. Delta Regional Authority policy promulgations (Attachment A.1 – Distressed Counties) and

3. The "Clarification Notes" described both on the "Uniform Pre-Application Form" and which may subsequently be described at www.dra.gov "DRA 2010 Federal Grant Program (please check for any updated "Clarifications").

Upon completion of his eligibility determinations, the Federal Co-Chairman will forward that list to each participating state member, and he will also notify the pre-applicants and the Administering Agencies.

By June 14 -- Participating State Member Select Approved Projects and Notify the Federal Co-Chairman

Each state's Governor will select his projects for DRA 2010 Federal Grant funding from the Federal Co-Chairman's list of eligible pre-applications.

With the singular independence as prescribed by the "Delta Regional Authority Act of 2000", as amended, each Governor will select his projects for funding, and will do so within the context of his own Authority-approved state plan and priorities.

When the Governors have selected their projects, these selections basically become "pre-certified" for DRA 2010 funding, needing now an application ("business plan") sufficient to satisfy the Authority and the (if needed) Administering Agency that the project will work as described and be able to comply with all appropriate federal regulations.

As Governors make their selections, they will forward their lists to the Federal Co-Chairman, who will in turn, invite these full applications for these "pre-certified" projects.

As stated above, in the main, projects funded through the DRA 2010 Federal Grant Program may be administered by other agencies. Specifically, each Federal Administering Agency's involvement will be:

1. Federal Administering Agencies will receive the Federal Co-Chairman's list of the eligible projects, which the Federal Administering Agency may be requested to administer, when he forwards this list to the participating state members.
2. The Federal Administering Agency will certify that it will administer such projects according to their identified programs.

Please note: When projects have been:

1. ***Deemed eligible by the Federal Co-Chairman,***
2. ***Pre-certified by the Governors and***
3. ***Accepted by Administering Agencies,***

the applicants basically become "pre-grantees". Accordingly, the DRA staff will proceed to work collaboratively and collegially with these "pre-grantees" to best insure their applications are sound and all contingencies are satisfied, before the State Certification and Board vote takes place. These steps in this process are all necessary to best insure each project will be successful.

On June 18 -- Federal Co-Chairman Issues "Invitations to Apply" to Governors' Selections

Using the DRA 2010 Federal Grant "Uniform Grant Application Form", which will include DRA's required checklists and format, the Federal Co-Chairman will invite a full application from each participating state's lists of eligible and pre-certified projects.

July 16 -- Applications Must be Prepared and Received by DRA

Using the packages provided by the Federal Co-Chairman, and the 28 days allowed, each applicant must complete such application packages and have the DRA receive their application packages – no later than 5pm CDT, July 16, 2010:

1. One set of originals for DRA review,
2. One set of copies, which DRA will send to the participating state member and
3. One set of copies, which DRA will send to the (prospective) Federal Administering Agency

Applicants shall send their packages to:
DRA 2010 Federal Grant Program – Review Team
Delta Regional Authority
236 Sharkey Avenue – Suite 400
Clarksdale, MS 38614

Beginning July 16, all applications shall be received to the DRA Central Office, and the DRA staff will conduct a final review of the details, while working collaboratively and collegially with each applicant.

No Later Than September 6 -- DRA Staff Review of Applications Completed And Reviews Forwarded to Governors

By September 6, DRA staff will have forwarded all the completed application reviews to each Governor for the state's "evaluation and certification" as prescribed by the "Delta Regional Authority Act of 2000", as amended.

By September 22 -- Governors Will Evaluate and Certify Projects

Upon receiving each application for their state, and on or before September 22, each participating Governor shall evaluate and certify each application through his appropriate review process. The Governors will then forward their lists of evaluated and certified applications to the Federal Co-Chairman.

On September 29 – The Delta Regional Authority Votes on Funding 2010 Projects

On September 29, in Memphis, TN, each application will be voted on and approved by the participating state members and the Federal Co-Chairman, together, the Delta Regional Authority. Once projects are approved, the administration of each project will proceed in accordance with the "Memorandum of Agreement" between DRA and the appropriate Administering Agencies.

On September 30 -- The Region's Members of Congress Notified

On September 30, the Members of Congress from the Region will be notified by the Federal Co-Chairman of all projects funded in their states and districts.

On October 4 -- The Region's Governors are Notified

On October 4, the Governors of the Region will be notified by the Federal Co-Chairman of all projects funded in their states.

By October 6 – Applicants will be notified as to their application status

By October 6, applicants will be notified of their board approval and that grant documents will be prepared for applicant execution. Upon receipt of properly executed documents plus any additional information requested with the documents, authorization to proceed with the project will be given to grantees.

Please note: Should you have any questions relating to pre-application requirements, timelines, process, instructions, eligibility requirements or any other matters relating to the DRA 2010 Federal Grant Program, please do not hesitate to:

Call: 1-888-GO TO DRA,

Email: DRA10FGP@dra.gov

Mail: DRA 2010 Federal Grant Program Team
Delta Regional Authority
236 Sharkey Avenue – Suite 400
Clarksdale, MS 38614

DELTA REGIONAL AUTHORITY 2010 FEDERAL GRANT

PROGRAM

DRA Uniform Grant Pre-Application Form

PLEASE REFER TO CLARIFICATION NOTES BEFORE COMPLETING THIS PRE-APPLICATION

[1.] Applicant Information: Applicant: ____________ Type of Entity ____________ Authorized Official: ____________ Street/PO Box: ____________ City/State/Zip: ____________ Telephone: ____________ Fax Number: ____________ Email Address: For notification: ____________ County: ____________ No stamps: Blue Ink Official's Signature:	**[2.] Application Preparer:** Relationship to applicant: ____________ Name: ____________ Agency: ____________ Street/P.O. Box: ____________ City/State/Zip: ____________ Telephone: ____________ Fax Number: ____________ Email Address: ____________ Project's Congressional District: ____________
[3.] DRA Goal/Objective: ____ Committed Economic Development Project ____ Committed Job Retention Project ____ Project included in a "Recruiting Process"	**[4.] Project Focus (check all that apply):** ____ Transportation Infrastructure ____ Basic Public Infrastructure ____ Workforce Development ____ Business Development ____ "Distressed County" (see www.dra.gov -- as defined in "Attachment A.1" -- DRA 2009 Federal Grant Program).
[5.] Funding Sources for the Project:	**[6.] Job Creation (Full-Time Equivalency) Impact of DRA Project:**

[7.] Business/Industry Information: Committed

Company Name: ______________________________

Contact Person: ______________________________

Title: ______________________________

Street/P.O. Box: ______________________________

City/State/Zip: ______________________________

Telephone: ________________

Fax: ________________

Include per project type; 1. Participation Agreement from private business to document job retention/creation: 2. application of incubator tenants: 3. business commitment letter to use job training to fill immediate job openings, or retain current jobs.

If jobs are to be retained, document how they will be lost but for this project and grant.

[8.] Project Description: Please provide a brief specific description of the proposed project, along with specific outcomes of the project activities. State how this project conforms to the goals and objectives of the DRA Comprehensive Action Plan, your state's Development Plan, and the State Strategy Statement and Investment Program. You can use one additional page, if necessary.

[9.] Project Funding: Give status of all additional funding sources for this project. i.e., approved and committed, application submitted & date / date anticipate source decision, application not made & why.

[10.] If the project is presumed to be "on-going", please detail the project's ability to sustain itself WITHOUT future DRA funding.

[11.] Include a resolution by the "board of directors" authorizing the executive to make and sign this pre-application to Delta Regional Authority , and the authority to sign any DRA grant documents to bind this entity.

[12.] Project Administration will be assigned by DRA if not administered by DRA.

PLEASE RETURN THE ORIGINAL and TWO COPIES OF THE DRA UNIFORM PRE-APPLICATION
and LIKEWISE THE ORIGINAL and TWO COPIES of the APPROPRIATE FEDERAL STANDARD FORMS 424 set TO:
Pre-applications will only be accepted through Local Development District listed on the transmittal cover letter.
Your Local Development District
See Local Development District list for contact information @ www.dra.gov

DELTA REGIONAL AUTHORITY
FEDERAL GRANT PROGRAM 2010 ELIGIBILITY CLARIFICATION NOTES

PREAMBLE

The Delta Regional Authority (DRA) follows a concise set of guidelines when determining the eligibility of projects submitted for grant funding. This document provides DRA staff with the necessary means to make those determinations. DRA's role in this process is to ultimately provide the governor of your state with a list of eligible projects for his or her selection.

Potential applicants for DRA funding should familiarize themselves with this document and provide conclusive evidence, within the pre-application package, which clearly describes the eligible nature of the project. This determination must be consistent with the definitions found below and supported with proper documentation.

SUSTAINABILITY

Applicants must demonstrate through a sound, comprehensive business plan based on hard data, proven methodology and reasonable forecasts acceptable to the DRA that the applicant is capable of maintaining the project after DRA funding to assure the sustainability of the project and achievement of the level of service outlined in the project description.

Sustainability, by definition, includes all costs associated with management, operation and maintenance necessary to maintain an acceptable level of service. A project will NOT be deemed sustainable if it is dependent on future grants to meet its normal operating expenses.

Feasibility/marketing type studies will be considered non-sustainable and speculative, therefore they will NOT be considered eligible.

Projects deemed "speculative" in any of the four funding areas will NOT be eligible.

ENTITIES

ELIGIBLE

The DRA federal grant program is ONLY available to participating member states, local governments (city and county) and non-profit entities, for projects within the DRA member states' counties and parishes.

INELIGIBLE

The DRA federal grant program is NOT available to private/for-profit entities and those entities normally deemed eligible but due to prior grant history have been identified as ineligible for future grants.

PURPOSES

ELIGIBLE

The following four funding categories as found in the Delta Regional Authority Act of 2000, as Amended in the 2002 Farm Bill, represent the continued focus for all DRA grant dollars. This document has been organized under each one of these categories.

1. Basic public infrastructure in distressed counties and isolated areas of distress.
2. Transportation infrastructure for the purpose of facilitating economic development in the region.
3. Business development, with emphasis on entrepreneurship.
4. Job training or employment-related education, with emphasis on use of existing public educational institutions located in the region.

INELIGIBLE

Eligible entities may NOT be conduits for private-sector entities.

NO financial assistance will be authorized to assist any relocation from one area (of the region) to another, except as authorized, to attract businesses from outside the DRA region to the DRA region.

DRA federal grant funds CAN NOT be used to "supplant" existing funding streams.

FUNDING CATEGORY SPECIFICS

BASIC PUBLIC INFRASTRUCTURE

For the purposes of the Delta Regional Authority's Federal Grant Program the term "Basic Public Infrastructure" shall mean Water and Wastewater Facilities, Electric and Gas Utilities, Broadband Delivery, and Solid Waste Landfills, all of which are fundamental services necessary to promote growth and attract business, which have a useful life of 20 years or more.

1. To be deemed eligible, projects shall document job-creation or job- retention, however, basic residential infrastructure projects for communities in distressed counties/parishes, or isolated areas designated distressed in non-distressed counties/parishes may be considered provided they meet the program requirements set out in other applicable clarification notes. "Isolated Areas of Distress" shall mean

areas of distress identifiable by census track (distressed county criteria) within a non-distressed county.

2. DRA federal grant funds will NOT be used for projects deemed to be "Maintenance" or "Deferred Maintenance". Maintenance shall mean the work of keeping something in proper condition or upkeep. Deferred Maintenance shall mean to put off, postpone, or procrastinate the act of maintenance.

3. Geographic Information System (GIS) and Broadband projects (not to include speculative or feasibility-type studies – rather, complete and sustainable projects) will be considered technological infrastructure, a subpart of "basic public infrastructure", and will be deemed eligible for State, County/Parish, or Municipal government entities, if they do not directly subsidize for-profit entities.

4. Government-facility construction and/or improvements (including but not limited to, local/state government offices, libraries, fire stations, multi-purpose buildings and public education buildings/schools) will NOT be eligible.

TRANSPORTATION INFRASTRUCTURE

5. Transportation Infrastructure shall mean basic physical structures needed to support and/or create a transportation system, which shall include roadways, bridges, rail, port facilities, airports, and other structures deemed to be central to an overall transportation system. To be deemed eligible, projects shall document job-creation or job- retention impact.

6. Local, state and/or federal road, highway and/or bridge maintenance projects will NOT be eligible for DRA funding.

BUSINESS DEVELOPMENT (with an emphasis on entrepreneurship)

7. Business Development shall mean those areas of business development which include entrepreneurship, the creation of new businesses or the retention or expansion of existing businesses in the local communities and to be deemed eligible, projects shall document job-creation or job-retention.

8. Allow expansion of existing business incubators and industrial parks; only allow funding start-up facilities if a committed economic development project or committed business incubator tenants.

9. Applicants must document that a need exists per standards of research described by National Business Incubation Association. A plan should also be developed to coincide with standards and operation as set forth in the National Business Incubation Association.

"Business incubation shall mean a business support process that accelerates the successful development of start-up and fledgling companies by providing entrepreneurs with any array of targeted resources and services.

WORKFORCE DEVELOPMENT

10. Workforce Development shall mean job training or employment-related education for a specific employer to fill immediate job openings or retain current jobs, which are documented as such by that specific employer. Delivery of such training shall be through the use of existing public educational facilities (EPEFs) located in the Region. However, if, the pre-applicant demonstrates (1) sufficient documentation demonstrating an EPEF's inability (as examples, insufficient capacity, curriculum, and/or accessibility) to satisfy the defined need, and the pre-applicant (2) demonstrates a compelling need to use a non-EPEF for such training, then the Federal Co-Chairman can waive this requirement and deem a project eligible. To be deemed eligible, projects shall document job-creation or job-retention.

Other than for "Workforce Development" projects as described above, start-up or ongoing operating costs (including but not limited to, salaries, vehicles, equipment and maintenance) will NOT be deemed eligible.

2010 DRA Distressed Counties/Parishes (223)

ALABAMA

Barbour
Bullock
Butler
Choctaw
Clarke
Conecuh
Dallas
Escambia
Greene
Hale
Lowndes
Macon
Marengo
Monroe
Perry
Pickens
Russell
Sumter
Washington
Wilcox

ARKANSAS

Arkansas
Ashley
Baxter
Bradley
Calhoun
Chicot
Clay
Cleveland
Craighead
Crittenden
Cross
Dallas
Desha
Drew
Fulton
Grant
Greene
Independence
Izard
Jackson
Jefferson
Lawrence
Lee
Lincoln
Lonoke
Marion
Mississippi
Monroe
Ouachita
Phillips
Poinsett
Prairie
Randolph
St. Francis
Searcy
Sharp
Stone
Van Buren
White
Woodruff

ILLINOIS

Alexander
Franklin
Gallatin
Hamilton
Hardin
Jackson
Johnson
Massac
Perry
Pope
Pulaski
Randolph
Saline
Union
Williamson

KENTUCKY

Ballard
Caldwell
Calloway
Carlisle
Christian
Crittenden
Fulton
Graves
Henderson
Hopkins
Livingston
Lyon
McLean
Marshall
Muhlenberg
Todd
Trigg
Union

LOUISIANA

Acadia
Allen
Avoyelles
Beauregard
Bienville
Caldwell
Catahoula
Claiborne
Concordia
De Soto
East Carroll
East Feliciana
Evangeline
Franklin
Grant
Iberville
Jackson
Jefferson Davis
La Salle
Lincoln
Livingston
Madison
Morehouse
Natchitoches
Pointe Coupee
Red River
Richland
St. Helena
St. James
St. John the Baptist
St. Landry
St. Martin
Tangipahoa
Tensas
Union
Vermillion
Washington
Webster
West Carroll
West Feliciana
Winn

MISSISSIPPI

Adams
Amite
Attala
Benton
Bolivar
Carroll
Claiborne
Coahoma
Copiah
Covington
Franklin
Grenada
Holmes
Humphreys
Issaquena
Jasper
Jefferson
Jefferson Davis
Lafayette
Lawrence
Leflore
Lincoln
Marion
Marshall
Montgomery
Panola
Pike
Quitman
Sharkey
Simpson
Smith
Sunflower
Tallahatchie
Tate
Tippah
Tunica
Union
Walthall
Washington
Wilkinson
Yalobusha
Yazoo

MISSOURI

Bollinger
Butler
Carter
Crawford
Dent
Douglas
Dunklin
Howell
Iron
Madison
Mississippi
New Madrid
Oregon
Ozark
Pemiscot
Perry
Phelps
Reynolds
Ripley
Scott
Shannon
Ste. Genevieve
St. Francois
Stoddard
Texas
Washington
Wayne
Wright

TENNESSEE

Benton
Carroll
Chester
Crockett
Decatur
Dyer
Fayette
Gibson
Hardeman
Hardin
Haywood
Henderson
Henry
Lake
Lauderdale
McNairy
Obion
Tipton
Weakley

DRA LOCAL DEVELOPMENT DISTRICTS (45)

ALABAMA (6)

Alabama-Tombigbee Regional Commission
107 Broad Street
Camden, AL 36726
ID # 63-0588933
Phone (334) 682-4234
Fax (334) 682-4205
Email: jcriggs50@hotmail.com, fbdobsonjr@hotmail.com
Executive Director: John Clyde Riggs, Frank Dobson

DRA Counties Served: Choctaw, Clarke, Conecuh, Dallas, Marengo, Monroe, Perry, Sumter, Washington, and Wilcox
Website: http://www.alarc.org/atrc/index.htm

Lee-Russell Council of Governments
2207 Gateway Drive
Opelika, AL 36801-6834
ID # 63-0577511
Phone (334) 749-5264
Fax (334) 749-6582
Email: jpinkard@adss.state.al.us, sburnette@adss.state.al.us
Contact: Jackie Pinkard
Executive Director: Suzanne G. Burnette

DRA Counties Served: Russell
Website: http://www.lrcog.com

South Alabama Regional Planning Commission
110 Beauregard St.
P.O. Box 1665
Mobile, AL 36602
ID # 63-0501382
Phone (251) 433-6541
Fax (251) 433-6009
Email: russwimberly@sarpc.org, dburnett@sarpc.org
Executive Director: Russell J. Wimberly
Kevin Harrison, Transportation Planner

DRA Counties Served: Escambia
Website: http://www.sarpc.org

South Central Alabama Development Commission
5900 Carmichael Place
Montgomery, AL 36117
ID # 63-0620430
Phone (334) 244-6903
Fax (334) 270-0038
Email: swebb@adss.state.al.us, ptritz@adss.state.al.us, Jbahn@adss.state.al.us
Executive Director: Tyson Howard
Director, Planning and Economic Development:
Stacey Styron (334) 244-6903 ext. 133 Patrick Tritz, Jessica Barnes, Holly Pegg

DRA Counties Served: Bullock, Butler, Lowndes, and Macon
Website: http://www.alarc.org/scadc/index.htm

Southeast Alabama Regional Planning and Development Commission
P.O. Box 1406
Dothan, AL 36302
ID # 63-0579002
Phone (334) 794-4093
Fax (334) 794-3288
Email: Scott@sanman.net
Contact: Scott Farmer
Executive Director: Thomas B. Solomon
Director, CED: Scott Farmer

DRA Counties Served: Barbour
Website: http://www.sanman.net/searpdc/searpdc.htm

West Alabama Planning and Development Council
P. O. Box 509
Northport, AL 35476-0509
4200 Highway 69 North, Suite 1
Northport, Alabama 35473
ID # 63-0519483
Phone (205) 333-2990
Fax (205) 333-2713
Email: wapdc@adss.state.al.us
Executive Director: Robert B. Lake robertlake@adss.alabama.gov
Senior Transportation Planner: David Norris david.norris@adss.alabama.gov

DRA Counties Served: Greene, Hale, and Pickens
Website: http://www.warc.info

ARKANSAS (6)

The Central Planning and Development District
P.O. Box 300
Lonoke AR 72086
ID # 71-0410563
Phone (501) 676-2721
Fax (501) 676-5020
Email: libby.fort@arkansas.gov
Contact: Libby Fort
Executive Director: Rodney Larsen rodney.larsen@arkansas.gov

DRA Counties Served: Lonoke, Monroe, Prairie, and Pulaski
Website: http://www.aiea.ualr.edu/research/pdd/central/default.html

The East Planning and Development District
P.O. Box 1403
Jonesboro AR 72403
ID # 71-0401473
Phone (870) 932-3957
Fax (870) 932-0135
Email: rspelic@eapdd.com, dn@eapdd.com
Executive Director: Richard Spelic

DRA Counties Served: Clay, Craighead, Crittenden, Cross, Greene, Lawrence, Lee, Mississippi, Phillips, Poinsett, Randolph, and St. Francis
Website: http://www.eapdd.com

The Northwest Economic Development District
P.O. Box 190
Harrison AR 72602-0190
ID # 71-0399224
Phone (870) 741-5404
Fax (870) 741-1905
Email: jmnorton@nwaedd.org
Executive Director: J. Mike Norton

DRA Counties Served: Baxter, Marion, and Searcy
Website: http://www.nwaedd.org

The Southeast Economic Development District
721 Walnut Street
P.O. Box 6806
Pine Bluff, AR 71611
ID #
Phone (870) 536-1971
Fax (870) 536-7718
Email: glennbell@cablelynx.com,rboardman@cablelynx.com, wmadera@cablelynx.com
Executive Director: Glenn Bell

DRA Counties Served: Arkansas, Ashley, Bradley, Chicot, Cleveland, Desha, Drew, Grant, Jefferson, and Lincoln

The Southwest Planning and Development District
P.O. Box 767
Magnolia, AR 71753
ID # 71-0519750
Phone (870) 234-4030
Fax (870) 234-0135
Email: blake.harrell@arkansas.gov
Contact: Ms. Renee Dycus
Executive Director: Ms. Renee Dycus
DRA Counties Served: Calhoun, Dallas, Ouachita, and Union
Website: http://www.swapdd.com

The White River Planning and Development District
P.O. Box 2396
Batesville AR 72501
ID # 71-0398870
Phone (870) 793-5233
Fax (870) 793-4035
Email: thomas@wrpdd.org
Executive Director: Van Thomas

DRA Counties Served: Fulton, Independence, Izard, Jackson, Sharp, Stone, Van Buren, White, and Woodruff
Website: http://www.wrpdd.org

ILLINOIS (5)

Greater Wabash Regional Planning Commission
10 West Main Street
P.O. Box 209
Albion, IL 62806
ID # 37-0920429
Phone (618) 445-3612
Fax (618) 445-3629
Email: wtrwmn@hotmail.com
Executive Director: NONE

DRA Counties Served: White
Website: NONE

Southeastern Illinois Regional Planning & Development Commission
230 W. Poplar
P.O. Box 606
Harrisburg, IL 62946
ID # 370907059
Phone (618) 252-7463
Fax (618) 252-7464
Email: sirpdc@midamer.net
Executive Director: Julie Patera

DRA Counties Served: Gallatin, Hamilton, Hardin, Pope, and Saline
Website: http://www.sirpdc.org/

Southern Five Regional Planning District & Development Commission
219 Rustic Campus Drive
Ullin, IL 62992
ID # 37-1001991
Phone (618) 634-2284
Fax (618) 634-2287
Email: lthurston@southernfive.org
Executive Director: Lisa D. Thurston

DRA Counties Served: Alexander, Johnson, Massac, Pulaski, and Union
Website: http://www.southernfive.org/

Greater Egypt Regional Planning Commission
P.O. Box 3160
Carbondale, IL 62902
ID # 37-0814105
Phone (618) 549-3306
Fax (618) 549-3309
Email: gerpdc@midwest.net
Executive Director: Ike Kirkikis

DRA Counties Served: Franklin, Jackson, Perry, and Williamson
Website: NONE

Southwestern Illinois Planning Commission
2511 Vandalia
Collinsville, IL 62234
ID # 37-0857877
Phone (618) 344-4250
Email: kterveer@simapc.com
Executive Director: Kevin Terveer

DRA Counties Served: Randolph
Website: NONE

KENTUCY (3)

Green River Area Development District
3860 U.S. Highway 60 West
Owensboro, KY 42301-0200
ID # 61-0706096
Phone (270) 926-4433
Fax (270) 684-0714
Email: jitenshah@gradd.com
Executive Director: Jiten Shah

DRA Counties Served: Henderson, McLean, Union, and Webster
Website: http://www.gradd.com

Pennyrile Area Development District
300 Hammond Drive
Hopkinsville, KY 42240
ID # 61-0702271
Phone (270) 886-9484
Fax (270) 886-3211
Email: chris.sutton@ky.gov; jason.vincent@ky.gov
Executive Director: Mr. Chris Sutton

Assistant Director: Mr. Jason Vincent
DRA Counties Served: Caldwell, Christian, Crittenden, Hopkins, Livingston, Lyon, Muhlenberg, Todd, and Trigg
Website: http://www.peadd.org/

Purchase Area Development District
1002 Medical Drive
Mayfield, KY 42066
ID # 61-0703486
Phone (270) 247-7171
Fax (270) 251-6110
Email: henry.hodges@purchaseadd.org, mark.davis@purchaseadd.org
Executive Director: Henry G. Hodges

DRA Counties Served: Ballard, Calloway, Carlisle, Fulton, Graves, Hickman, Marshall, and McCracken
Website: http://www.purchaseadd.org/

LOUISIANA(8)

Capital Region Planning & Development Commission
District Two
333 N. 19th St.
P.O. Box 3355
Baton Rouge, LA 70821
ID # 72-1207800
Phone (225) 383-5203
Fax (225) 383-3804
Email: dneisler@brgov.com, pfelarise@brgov.com
Contact: Don W. Neisler
Chairman: Mayor Carroll Bourgeois
Executive Director: Don Neisler

DRA Parishes Served: Ascension, East Baton Rouge, East Feliciana, Iberville, Livingston, Pointe Coupee, St. Helena, Tangipahoa, Washington, West Baton Rouge, and West Feliciana
Website: http://www.crpc-la.org

Acadia Planning District Council, Inc.
601 Loire Ave. Suite C
Lafayette, LA 70507
ID # 72-0644593
Phone (337) 886-7782
Fax (337) 886-7081
Email: smcgee@ardd.org

President: Kenneth J. Mouton
Chief Administrator Officer: Stan McGee

DRA Parishes Served: Acadia, Evangeline, Iberia, St. Landry, and St. Martin
Website: http://www.ardd.org

Imperial-Calcasieu Regional Planning and Development Commission
District Five
326 Pujo Street
P.O. Box 3164
Lake Charles, LA 70602
ID # 72-0723511
Phone (337) 433-1771
Fax (337) 433-6077
Email: James@imcal.org/Randy@imcal.org
Executive Director: James Porter

DRA Parishes Served: Allen
Website: http://www.imcal.org/

Kisatchie-Delta Regional Planning and Development District, Inc.
District Six
3516 Parliament Court
Alexandria, LA 71303
ID # 72-646028
Phone (318) 487-5454
Fax (318) 487-5451
Email: kdelta@kricket.net
Executive Director: Heather S. Urena
President: Ray Bourdelon

DRA Parishes Served: Avoyelles, Catahoula, Concordia, Grant, LaSalle, Rapides, and Winn
Website: www.kdelta.org

North Delta Regional Planning & Development District, Inc.
District Eight
1913 Stubbs Ave
Monroe, LA 71201
ID # 72-0652942
Phone (318) 387-2572
Fax (318) 387-9054
Email: david@northdelta.org
President: Ervin P. Turner
Executive Director: David A Creed

DRA Parishes Served: Caldwell, East Carroll, Franklin, Jackson, Madison, Morehouse, Ouachita, Richland, Tensas, Union, and West Carroll
Website: http://www.northdelta.org/

Regional Planning Commission
District One
10 Veterans Memorial Blvd.
New Orleans, LA 70124
ID # 72-0595531
Phone (504) 483-8500
Fax (504) 483-8526
Email: rpc@norpc.org; wbrooks@norpc.org
Executive Director: Walter Brooks

DRA Parishes Served: Jefferson, Orleans, Plaquemines, and St. Bernard
Website: http://www.norpc.org/

South Central Planning & Development Commission
District Three
5058 West Main St.
Houma, LA 70360
Mailing Address: P.O. Box 1870
Gray, LA 70359
ID # 72-0721574
Phone (985) 851-2900
Fax (985) 851-4472
Email: Kevin@scpdc.org
Chief Executive Officer: Kevin P. Belanger

DRA Parishes Served: Assumption, Lafourche, St. Charles, St. James, and St. John the Baptist
Website: http://www.scpdc.org

The Coordinating & Development Corporation
District Seven
5210 Hollywood Avenue; Shreveport, LA 71109
P.O. Box 37005
Shreveport, LA 71133-7005
ID # 72-0651120
Phone (318) 632-2022
Fax (318) 632-2099
Email: lecomte@shreve.net
President & CEO: M.D. LeComte

DRA Parishes Served: Lincoln and Natchitoches
Website: http://www.cdconline.org

MISSISSIPPI (9)

Central Mississippi Planning & Development District, Inc.
P.O. box 4935
Jackson, MS 39296-4935
ID # 64-0474698
Phone (601) 981-1511
Fax (601) 981-1515
Email: cholmes@cmpdd.org
Chief Executive Officer: F. Clarke Holmes

DRA Counties Served: Copiah, Hinds, Madison, Rankin, Simpson, Warren, and Yazoo
Website: http://www.cmpdd.org/

East Central Planning and Development District
280 Commercial Drive
Post Office Box 499
Newton, MS 39345
Phone (601) 683-2007
Fax (601) 683-7873
Email: mail@ecpdd.org
Executive Director: Bill Richardson

DRA Counties Served: Jasper, Smith

North Central Planning and Development District, Inc.
711 South Applegate
Winona, MS 38967
ID # 64-0473694
Phone (662) 283-2675
Fax (662) 283-5875
Email: srussell@ncpdd.org
Executive Director: Stephen Russell

DRA Counties Served: Attala, Carroll, Grenada, Holmes, Leflore, Montgomery, and Yalobusha
Website: NONE

Northeast Mississippi Planning and Development District, Inc.
P.O. Box 600
Booneville, MS 38829
ID # 64-0508775
Phone (662) 728-6248
Fax (662) 728-2417
Email: sgardner@nempdd.com

Executive Director: Sharon Gardner
DRA Counties Served: Benton, Marshall, and Tippah
Website: www.nempdd.com

North Delta Planning and Development District, Inc.
P.O. Box 1488
Batesville, MS 38606-1488
ID # 64-0468044
Phone (662) 561-4100
Fax (662) 561-4112
Email: jhadorn@ndpdd.com , jcurcio@ndpdd.com , thamby@ndpdd.com
Executive Director: Glen Brown

DRA Counties Served: Coahoma, Desoto, Panola, Quitman, Tallahatchie, Tate, and Tunica
Website: www.ndpdd.com

South Delta Planning and Development District, Inc.
124 South Broadway
P.O. Box 1776
Greenville, MS 38702
ID # 64-0466158
Phone (662) 378-3831
Fax (662) 378-4076
Email: sdpdd@bellsouth.net , acdenson@bellsouth.net
Executive Director: William B. "Billy" Haney, Jr.

DRA Counties Served: Bolivar, Humphreys, Issaquena, Sharkey, Sunflower, and Washington
Website: http://www.southdeltapdd.com

Southern Mississippi Planning and Development District, Inc.
9229 Hwy 49
Gulfport, MS 39503-4317
ID # 64-0441554
Phone (228) 868-2311
Fax (228) 868-7094
Email: les@smpdd.com
Executive Director: Les Newcombe

DRA Counties Served: Covington, Jefferson, Davis and Marion
Website: http://www.smpdd.com/

Southwest Mississippi Planning and Development District, Inc.
100 South Wall Street
Natchez, Mississippi 39120
ID # 64-0579795
Phone (601) 446-6044
Fax (601) 446-6071
Email: wirt@netdoor.com
Executive Director: Wirt Patterson

DRA Counties Served: Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall, and Wilkinson
Website: www.swmpdd.com

Three Rivers Planning and Development District, Inc.
75 South Main Street
P.O. Box 690
Pontotoc, MS 38863
ID # 64-0507939
Phone (662) 489-2415
Fax (662) 489-6815
Email: vrk@trpdd.com
Executive Director: Vernon R. "Randy" Kelly, III

DRA Counties Served: Lafayette and Union
Website: http://www.trpdd.com/

MISSOURI (5)

Bootheel Regional Planning Commission
105 East North Main
Dexter, MO 63841-1770
ID # 43-0907112
Phone (573) 614-5178
Fax (573) 614-5182
Email: bootrpc@newwavecomm.net
Contact: Connie Duke
Executive Director: Steven Duke

DRA Counties Served: Dunklin, Mississippi, New Madrid, Pemiscot, Scott, and Stoddard
Website: http://www.bootrpc.com

Meramec Regional Planning Commission
4 Industrial Drive
St. James, MO 65559
ID # 43-0963010
Phone (573) 265-2993
Fax (573) 265-3550
Email: rac@meramecregion.org
Executive Director: Richard Cavender

DRA Counties Served: Crawford, Dent, Phelps, and Washington
Website: http://www.missourimeramecregion.org/mrpc/

Ozark Foothills Regional Planning Commission
3019 Fair Street
Popular Bluff, MO 63901
ID # 43-0895607
Phone (573) 785-6402
Fax (573) 686-5467
Email: felicity@ofrpc.org
Executive Director: Felicity Brady

DRA Counties Served: Butler, Carter, Reynolds, Ripley, and Wayne
Website: http://www.ofrpc.com/

South-Central Ozark Council of Governments
P.O. Box 100
Pomona, MO 65789
ID # 43-0895440
Phone (417) 256-4226
Fax (417) 256-6188
Email: scocog@townsqr.com
Executive Director: James Dancey

DRA Counties Served: Howell, Douglas, Oregon, Ozark, Shannon, Texas, and Wright
Websites: http://www.scocog.org

Southeast Missouri Regional Planning and Economic Development Commission
1 West Saint Joseph Street
P.O. Box 366
Perryville, MO 63775
ID # 43-0958405
Phone (573) 547-8357
Fax (573) 547-7283
Email: semorpc@semorpc.org
Executive Director Chauncy D. Buchheit

DRA Counties Served: Bollinger, Cape Girardeau, Iron, Madison, Perry, St. Francois, and Ste. Genevieve
Website: http://semorpc.org/

TENNESSEE (3)

Memphis Area Association of Governments
1420 Union Avenue, Suite 410
Memphis, TN 38104-3645
Mailing:
P.O. Box 40509
Memphis, TN 38174-0509
ID # 62-1353561
Phone (901) 729-2871
Fax (901) 729-4107
Email: mail01@maagov.org
Executive Director: John Sicola; jwsicola@maagov.org

DRA Counties Served: Fayette, Lauderdale, Shelby, and Tipton
Website: NONE

Northwest Tennessee Development District
P.O. Box 963
Martin, TN 38237-0963
ID # 62-0852637
Phone (731) 587-4215
Fax (731) 587-4587
Email: jabnwtdd@aeneas.net
Executive Director: John Bucy jabnwtdd@aeneas.net

DRA Counties Served: Benton, Carroll, Crockett, Dyer, Gibson, Henry, Lake, Obion, and Weakley
Website: http://nwtddhra.org

Southwest Tennessee Development District
27 Conrad Drive, Suite 150
Jackson, TN 38305-2850
ID # 62-0890122
Phone (731) 668-7112
Fax (731) 668-6421
Email: swtdd@swtdd.org
Executive Director: Mr. Joe Barker

DRA Counties Served: Chester, Decatur, Hardeman, Hardin, Haywood, Henderson, Madison, and McNairy Website: http://www.swtdd.org/

The Delta Regional Authority Statute

§ 2009aa. Definitions

In this subchapter:

(1) Authority

The term "Authority" means the Delta Regional Authority established by section 2009aa-1 of this title.

(2) Region

The term "region" means the Lower Mississippi (as defined in section 4 of the Delta Development Act (42 U.S.C. 3121 note; Public Law 100-460)).

(3) Federal grant program

The term "Federal grant program" means a Federal grant program to provide assistance in--

(A) acquiring or developing land;

(B) constructing or equipping a highway, road, bridge, or facility; or

(C) carrying out other economic development activities.

(4) Alabama as member of participating state

Notwithstanding any other provision of law, the State of Alabama shall be a full member of the Delta Regional Authority and shall be entitled to all rights and privileges that said membership affords to all other participating States in the Delta Regional Authority.

§ 2009aa-1. Delta Regional Authority

(a) Establishment

(1) In general

There is established the Delta Regional Authority.

(2) Composition

The Authority shall be composed of--

(A) a Federal member, to be appointed by the President, with the advice and consent of the Senate; and

(B) the Governor (or a designee of the Governor) of each State in the region that elects to participate in the Authority.

(3) Cochairpersons

The Authority shall be headed by—

(A) the Federal member, who shall serve--

(i) as the Federal cochairperson; and

(ii) as a liaison between the Federal Government and the Authority; and

(B) a State cochairperson, who--

(i) shall be a Governor of a participating State in the region; and

(ii) shall be elected by the State members for a term of not less than 1 year.

(b) Alternate members

(1) State alternates

The State member of a participating State may have a single alternate, who shall be--

(A) a resident of that State; and

(B) appointed by the Governor of the State.

(2) Alternate Federal cochairperson

The President shall appoint an alternate Federal cochairperson.

(3) Quorum

A State alternate shall not be counted toward the establishment of a quorum of the Authority in any instance in which a quorum of the State members is required to be present.

(4) Delegation of power

No power or responsibility of the Authority specified in paragraphs (2) and (3) of subsection (c), and no voting right of any Authority member, shall be delegated to any person--

(A) who is not an Authority member; or

(B) who is not entitled to vote in Authority meetings.

(c) Voting

(1) In general—VOTING.—A decision by the Authority shall require the affirmative vote of the Federal cochairperson and a majority of the State members (not including any member representing a State that is delinquent under subsection (g)(2)(C)) to be effective).

(2) Quorum

A quorum of State members shall be required to be present for the Authority to make any policy decision, including--

(A) a modification or revision of an Authority policy decision;

(B) approval of a State or regional development plan; and

(C) any allocation of funds among the States.

(3) Project and grant proposals

The approval of project and grant proposals shall be--

(A) a responsibility of the Authority; and

(B) conducted in accordance with section 2009aa-8 of this title.

(4) Voting by alternate members

An alternate member shall vote in the case of the absence, death, disability, removal, or resignation of the Federal or State representative for which the alternate member is an alternate.

(d) Duties

The Authority shall--

(1) develop, on a continuing basis, comprehensive and coordinated plans and programs to establish priorities and approve grants for the economic development of the region, giving due consideration to other Federal, State, and local planning and development activities in the region;

(2) not later than 220 days after December 21, 2000, establish priorities in a development plan for the region (including 5-year regional outcome targets);

(3) assess the needs and assets of the region based on available research, demonstrations, investigations, assessments, and evaluations of the region prepared by Federal, State, and local agencies, universities, local development districts, and other nonprofit groups;

(4) formulate and recommend to the Governors and legislatures of States that participate in the Authority forms of interstate cooperation;

(5) work with State and local agencies in developing appropriate model legislation;

(6)(A) enhance the capacity of, and provide support for, local development districts in the region; or

(B) if no local development district exists in an area in a participating State in the region, foster the creation of a local development district;

(7) encourage private investment in industrial, commercial, and other economic development projects in the region; and

(8) cooperate with and assist State governments with economic development programs of participating States.

(e) Administration

In carrying out subsection (d) of this section, the Authority may--

(1) hold such hearings, sit and act at such times and places, take such testimony, receive such evidence, and print or otherwise reproduce and distribute a description of the proceedings and reports on actions by the Authority as the Authority considers appropriate;

(2) authorize, through the Federal or State cochairperson or any other member of the Authority designated by the Authority, the administration of oaths if the Authority determines that testimony should be taken or evidence received under oath;

(3) request from any Federal, State, or local department or agency such information as may be available to or procurable by the department or agency that may be of use to the Authority in carrying out duties of the Authority;

(4) adopt, amend, and repeal bylaws, rules, and regulations governing the conduct of Authority business and the performance of Authority duties;

(5) request the head of any Federal department or agency to detail to the Authority such personnel as the Authority requires to carry out duties of the Authority, each such detail to be without loss of seniority, pay, or other employee status;

(6) request the head of any State department or agency or local government to detail to the Authority such personnel as the Authority requires to carry out duties of the Authority, each such detail to be without loss of seniority, pay, or other employee status;

(7) provide for coverage of Authority employees in a suitable retirement and employee benefit system by--

(A) making arrangements or entering into contracts with any participating State government; or

(B) otherwise providing retirement and other employee benefit coverage;

(8) accept, use, and dispose of gifts or donations of services or real, personal, tangible, or intangible property;

(9) enter into and perform such contracts, leases, cooperative agreements, or other transactions as are necessary to carry out Authority duties, including any contracts, leases, or cooperative agreements with--

(A) any department, agency, or instrumentality of the United States;

(B) any State (including a political subdivision, agency, or instrumentality of the State); or

(C) any person, firm, association, or corporation; and

(10) establish and maintain a central office and field offices at such locations as the Authority may select.

(f) Federal agency cooperation

A Federal agency shall--

(1) cooperate with the Authority; and

(2) provide, on request of the Federal cochairperson, appropriate assistance in carrying out this subchapter, in accordance with applicable Federal laws (including regulations).

(g) Administrative expenses

(1) In general

Administrative expenses of the Authority (except for the expenses of the Federal cochairperson, including expenses of the alternate and staff of the Federal cochairperson, which shall be paid solely by the Federal Government) shall be paid--

(A) by the Federal Government, in an amount equal to 50 percent of the administrative expenses; and

(B) by the States in the region participating in the Authority, in an amount equal to 50 percent of the administrative expenses.

(2) State share

(A) In general

The share of administrative expenses of the Authority to be paid by each State shall be determined by the Authority.

(B) No Federal participation

The Federal cochairperson shall not participate or vote in any decision under subparagraph (A).

(C) Delinquent States

If a State is delinquent in payment of the State's share of administrative expenses of the Authority under this subsection--

(i) no assistance under this subchapter shall be furnished to the State (including assistance to a political subdivision or a resident of the State); and

(ii) no member of the Authority from the State shall participate or vote in any action by the Authority.

(h) Compensation

(1) Federal cochairperson

The Federal cochairperson shall be compensated by the Federal Government at level III of the Executive Schedule in subchapter II of chapter 53 of Title 5.

(2) Alternate Federal cochairperson

The alternate Federal cochairperson--

(A) shall be compensated by the Federal Government at level V of the Executive Schedule described in paragraph (1); and

(B) when not actively serving as an alternate for the Federal cochairperson, shall perform such functions and duties as are delegated by the Federal cochairperson.

(3) State members and alternates

(A) In general

A State shall compensate each member and alternate representing the State on the Authority at the rate established by law of the State.

(B) No additional compensation

No State member or alternate member shall receive any salary, or any contribution to or supplementation of salary from any source other than the State for services provided by the member or alternate to the Authority.

(4) Detailed employees

(A) In general

No person detailed to serve the Authority under subsection (e)(6) shall receive any salary or any contribution to or supplementation of salary for services provided to the Authority from--

(i) any source other than the State, local, or intergovernmental department or agency from which the person was detailed; or

(ii) the Authority.

(B) Violation

Any person that violates this paragraph shall be fined not more than $5,000, imprisoned not more than 1 year, or both.

(C) Applicable law

The Federal cochairperson, the alternate Federal cochairperson, and any Federal officer or employee detailed to duty on the Authority under subsection (e)(5) shall not be subject to subparagraph (A), but shall remain subject to sections 202 through 209 of Title 18.

(5) Additional personnel

(A) Compensation

(i) In general

The Authority may appoint and fix the compensation of an executive director and such other personnel as are necessary to enable the Authority to carry out the duties of the Authority.

(ii) Exception

Compensation under clause (i) shall not exceed the maximum rate for the Senior Executive Service under section 5382 of Title 5, including any applicable locality-based comparability payment that may be authorized under section 5304(h)(2)(C) of that title.

(B) Executive director

The executive director shall be responsible for--

(i) the carrying out of the administrative duties of the Authority;

(ii) direction of the Authority staff; and

(iii) such other duties as the Authority may assign.

(C) No Federal employee status

No member, alternate, officer, or employee of the Authority (except the Federal cochairperson of the Authority, the alternate and staff for the Federal cochairperson, and any Federal employee detailed to the Authority under subsection (e)(5)) shall be considered to be a Federal employee for any purpose.

(i) Conflicts of interest

(1) In general

Except as provided under paragraph (2), no State member, alternate, officer, or employee of the Authority shall participate personally and substantially as a member, alternate, officer, or employee of he Authority, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, in any proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other matter in which, to knowledge of the member, alternate, officer, or employee--

(A) the member, alternate, officer, or employee;

(B) the spouse, minor child, partner, or organization (other than a State or political subdivision of the State) of the member, alternate, officer, or employee, in which the member, alternate, officer, or employee is serving as officer, director, trustee, partner, or employee; or

(C) any person or organization with whom the member, alternate, officer, or employee is negotiating or has any arrangement concerning prospective employment;

has a financial interest.

(2) Disclosure

Paragraph (1) shall not apply if the State member, alternate, officer, or employee--

(A) immediately advises the Authority of the nature and circumstances of the proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter presenting a potential conflict of interest;

(B) makes full disclosure of the financial interest; and

(C) before the proceeding concerning the matter presenting the conflict of interest, receives a written determination by the Authority that the interest is not so substantial as to be likely to affect the integrity of the services that the Authority may expect from the State member, alternate, officer, or employee.

(3) Violation

Any person that violates this subsection shall be fined not more than $10,000, imprisoned not more than 2 years, or both.

(j) Validity of contracts, loans, and grants

The Authority may declare void any contract, loan, or grant of or by the Authority in relation to which the Authority determines that there has been a violation of any provision under subsection (h)(4), subsection (i), or sections 202 through 209 of Title 18.

§ 2009aa-2. Economic and community development grants

(a) In general

The Authority may approve grants to States and public and nonprofit entities for projects, approved in accordance with section 2009aa-8 of this title--

(1) to develop the transportation infrastructure of the region for the purpose of facilitating economic development in the region (except that grants for this purpose may only be made to a State or local government);

(2) to assist the region in obtaining the job training, employment-related education, and business development (with an emphasis on entrepreneurship) that are needed to build and maintain strong local economies;

(3) to provide assistance to severely distressed and underdeveloped areas that lack financial resources for improving basic public services;

(4) to provide assistance to severely distressed and underdeveloped areas that lack financial resources for equipping industrial parks and related facilities; and

(5) to otherwise achieve the purposes of this subchapter.

(b) Funding

(1) In general

Funds for grants under subsection (a) may be provided--

(A) entirely from appropriations to carry out this section;

(B) in combination with funds available under another Federal or Federal grant program; or

(C) from any other source.

(2) Priority of funding

To best build the foundations for long-term economic development and to complement other Federal and State resources in the region, Federal funds available under this subchapter shall be focused on the activities in the following order or priority:

(A) Basic public infrastructure in distressed counties and isolated areas of distress.

(B) Transportation infrastructure for the purpose of facilitating economic development in the region.

(C) Business development, with emphasis on entrepreneurship.

(D) Job training or employment-related education, with emphasis on use of existing public educational institutions located in the region.

(3) Repealed. Pub.L. 107-171, Title VI, § 6027(c), May 13, 2002, 116 Stat. 373

§ 2009aa-3. Supplements to Federal grant programs

(a) Finding

Congress finds that certain States and local communities of the region, including local development districts, may be unable to take maximum advantage of Federal grant programs for which the States and communities are eligible because--

(1) the States or communities lack the economic resources to provide the required matching share; or

(2) there are insufficient funds available under the applicable Federal law authorizing the Federal grant program to meet pressing needs of the region.

(b) Federal grant program funding

Notwithstanding any provision of law limiting the Federal share, the areas eligible for assistance, or the authorizations of appropriations of any Federal grant program, and in accordance with subsection (c) of this section, the Authority, with the approval of the Federal cochairperson and with respect to a project to be carried out in the region--

(1) may increase the Federal share of the costs of a project under the Federal grant program to not more than 90 percent (except as provided in section 2009aa-5(b) of this title); and

(2) shall use amounts made available to carry out this subchapter to pay the increased Federal share.

(c) Certifications

(1) In general

In the case of any project for which all or any portion of the basic Federal share of the costs of the project is proposed to be paid under this section, no Federal contribution shall be made until the Federal official administering the Federal law that authorizes the Federal grant program certifies that the project--

(A) meets (except as provided in subsection (b) of this section) the applicable requirements of the applicable Federal grant program; and

(B) could be approved for Federal contribution under the Federal grant program if funds were available under the law for the project.

(2) Certification by authority

(A) In general

The certifications and determinations required to be made by the Authority for approval of projects under this Act in accordance with section 2009aa-8 of this title--

(i) shall be controlling; and

(ii) shall be accepted by the Federal agencies.

(B) Acceptance by Federal cochairperson

In the case of any project described in paragraph (1), any finding, report, certification, or documentation required to be submitted with respect to the project to the head of the department, agency, or instrumentality of the Federal Government responsible for the administration of the Federal grant program under which the project is carried out shall be accepted by the Federal cochairperson.

§ 2009aa-4. Local development districts; certification and administrative expenses

(a) Definition of local development district

In this section, the term "local development district" means an entity that--

(1) is--

(A) a planning district in existence on December 21, 2000 that is recognized by the Economic Development Administration of he Department of Commerce; or

(B) where an entity described in subparagraph (A) does not exist--

(i) organized and operated in a manner that ensures broad-based community participation and an effective opportunity for other nonprofit groups to contribute to the development and implementation of programs in the region;

(ii) governed by a policy board with at least a simple majority of members consisting of elected officials or employees of a general purpose unit of local government who have been appointed to represent the government;

(iii) certified to the Authority as having a charter or authority that includes the economic development of counties or parts of counties or other political subdivisions within the region--

(I) by the Governor of each State in which the entity is located; or

(II) by the State officer designated by the appropriate State law to make the certification; and

(iv)(I) a nonprofit incorporated body organized or chartered under the law of the State in which the entity is located;

(II) a nonprofit agency or instrumentality of a State or local government;

(III) a public organization established before December 21, 2000 under State law for creation of multi-jurisdictional, area-wide planning organizations; or

(IV) a nonprofit association or combination of bodies, agencies, and instrumentalities described in subclauses (I) through (III); and

(2) has not, as certified by the Federal cochairperson--

(A) inappropriately used Federal grant funds from any Federal source; or

(B) appointed an officer who, during the period in which another entity inappropriately used Federal grant funds from any Federal source, was an officer of the other entity.

(b) Grants to local development districts

(1) In general

The Authority shall make grants for administrative expenses under this section.

(2) Conditions for grants

(A) Maximum amount

The amount of any grant awarded under paragraph (1) shall not exceed 80 percent of the administrative expenses of the local development district receiving the grant.

(B) Maximum period

No grant described in paragraph (1) shall be awarded to a State agency certified as a local development district for a period greater than 3 years.

(C) Local share

The contributions of a local development district for administrative expenses may be in cash or in kind, fairly evaluated, including space, equipment, and services.

(c) Duties of local development districts

A local development district shall--

(1) operate as a lead organization serving multicounty areas in the region at the local level; and

(2) serve as a liaison between State and local governments, nonprofit organizations (including community-based groups and educational institutions), the business community, and citizens that--

(A) are involved in multijurisdictional planning;

(B) provide technical assistance to local jurisdictions and potential grantees; and

(C) provide leadership and civic development assistance.

§ 2009aa-5. Distressed counties and areas and nondistressed counties

(a) Designations

Not later than 90 days after December 21, 2000, and annually thereafter, the Authority, in accordance with such criteria as the Authority may establish, shall designate--

(1) as distressed counties, counties in the region that are the most severely and persistently distressed and underdeveloped and have high rates of poverty or unemployment;

(2) as nondistressed counties, counties in the region that are not designated as distressed counties under paragraph (1); and

(3) as isolated areas of distress, areas located in nondistressed counties (as designated under paragraph (2)) that have high rates of poverty or unemployment.

(b) Distressed counties

(1) In general

The Authority shall allocate at least 75 percent of the appropriations made available under section 2009aa-12 of this title for programs and projects designed to serve the needs of distressed counties and isolated areas of distress in the region.

(2) Funding limitations

The funding limitations under section 2009aa-3(b) of this title shall not apply to a project providing transportation or basic public services to residents of one or more distressed counties or isolated areas of distress in the region.

(c) Nondistressed counties

(1) In general

Except as provided in this subsection, no funds shall be provided under this subchapter for a project located in a county designated as a nondistressed county under subsection (a)(2).

(2) Exceptions

(A) In general

The funding prohibition under paragraph (1) shall not apply to grants to fund the administrative expenses of local development districts under section 2009aa-4 of this title.

(B) Multicounty projects

The Authority may waive the application of the funding prohibition under paragraph (1) to--

(i) a multicounty project that includes participation by a nondistressed county; or

(ii) any other type of project;

if the Authority determines that the project could bring significant benefits to areas of the region outside a nondistressed county.

(C) Isolated areas of distress

For a designation of an isolated area of distress for assistance to be effective, the designation shall be supported--

(i) by the most recent Federal data available; or

(ii) if no recent Federal data are available, by the most recent data available through the government of the State in which the isolated area of distress is located.

(d) Transportation and basic public infrastructure

The Authirity shall allocate at least 50 percent of any funds made available under section 2009aa-12 of this title for transportation and basic public infrastructure projects authorized under paragraphs (1) and (3) of section 2009aa-2 of this title.

§ 2009aa-6. Development planning process

(a) State development plan

In accordance with policies established by the Authority, each State member shall submit a development plan for the area of the region represented by the State member.

(b) Content of plan

A State development plan submitted under subsection (a) shall reflect the goals, objectives, and priorities identified in the regional development plan developed under section 2009aa-1(d) of this title.

(c) Consultation with interested local parties

In carrying out the development planning process (including the selection of programs and projects for assistance), a State may--

(1) consult with--

(A) local development districts; and

(B) local units of government; and

(2) take into consideration the goals, objectives, priorities, and recommendations of the entities described in paragraph (1).

(d) Public participation

(1) In general

The Authority and applicable State and local development districts shall encourage and assist, to the maximum extent practicable, public participation in the development, revision, and implementation of all plans and programs under this subchapter.

(2) Regulations

The Authority shall develop guidelines for providing public participation described in paragraph (1), including public hearings.

§ 2009aa-7. Program development criteria

(a) In general

In considering programs and projects to be provided assistance under this subchapter, and in establishing a priority ranking of the requests for assistance provided by the Authority, the Authority shall follow procedures that ensure, to the maximum extent practicable, consideration of--

(1) the relationship of the project or class of projects to overall regional development;

(2) the per capita income and poverty and unemployment rates in an area;

(3) the financial resources available to the applicants for assistance seeking to carry out the project, with emphasis on ensuring that projects are adequately financed to maximize the probability of successful economic development;

(4) the importance of the project or class of projects in relation to other projects or classes of projects that may be in competition for the same funds;

(5) the prospects that the project for which assistance is sought will improve, on a continuing rather than a temporary basis, the opportunities for employment, the average level of income, or the economic development of the area served by the project; and

(6) the extent to which the project design provides for detailed outcome measurements by which grant expenditures and the results of the expenditures may be evaluated.

(b) No relocation assistance

No financial assistance authorized by this subchapter shall be used to assist a person or entity in relocating from one area to another, except that financial assistance may be used as otherwise authorized by this chapter to attract businesses from outside the region to the region.

(c) Reduction of funds

Funds may be provided for a program or project in a State under this subchapter only if the Authority determines that the level of Federal or State financial assistance provided under a law other than this subchapter, for the same type of program or project in the same area of the State within the region, will not be reduced as a result of funds made available by this subchapter.

§ 2009aa-8. Approval of development plans and projects

(a) In general

A State or regional development plan or any multistate subregional plan that is proposed for development under this subchapter shall be reviewed and approved by the Authority.

(b) Evaluation by State member

An application for a grant or any other assistance for a project under this subchapter shall be made through and evaluated for approval by the State member of the Authority representing the applicant.

(c) Certification

An application for a grant or other assistance for a project shall be approved only on certification by the State member that the application for the project--

(1) describes ways in which the project complies with any applicable State development plan;

(2) meets applicable criteria under section 2009aa-7 of this title;

(3) provides adequate assurance that the proposed project will be properly administered, operated, and maintained; and

(4) otherwise meets the requirements of this subchapter.

(d) Approval of grant applications

On certification by a State member of the Authority of an application for a grant or other assistance for a specific project under this section, an affirmative vote of the Authority under section 2009aa-1(c) of this title shall be required for approval of the application.

§ 2009aa-9. Consent of States

Nothing in this subchapter requires any State to engage in or accept any program under this subchapter without the consent of the State.

§ 2009aa-10. Records

(a) Records of the authority

(1) In general

The Authority shall maintain accurate and complete records of all transactions and activities of the Authority.

(2) Availability

All records of the Authority shall be available for audit and examination by the Comptroller General of the United States and the Inspector General of the Department of Agriculture (including authorized representatives of the Comptroller General and the Inspector General of the Department of Agriculture).

(b) Records of recipients of Federal assistance

(1) In general

A recipient of Federal funds under this subchapter shall, as required by the Authority, maintain accurate and complete records of transactions and activities financed with Federal funds and report on the transactions and activities to the Authority.

(2) Availability

All records required under paragraph (1) shall be available for audit by the Comptroller General of the United States, the Inspector General of the Department of Agriculture, and the Authority (including authorized representatives of the Comptroller General, the Inspector General of the Department of Agriculture, and the Authority).

(c) Annual audit

The Inspector General of the Department of Agriculture shall audit the activities, transactions, and records of the Authority on an annual basis.

§ 2009aa-11. Annual report

Not later than 180 days after the end of each fiscal year, the Authority shall submit to the President and to Congress a report describing the activities carried out under this subchapter.

§ 2009aa-12. Authorization of appropriations

(a) In general

For necessary expenses of the Delta Regional Authority and to carry out its activities, as authorized by the Delta Regional Authority Act of 2000, as amended, notwithstanding sections 382C(b)(2), 382F(d), 382M, and 382N of said Act, $13,000,000, to remain available until expended: *Provided*, That no funds in this Act shall be expended for the relocation of the Delta Regional Commission headquarters.

(b) Administrative expenses

Not more than 5 percent of the amount appropriated under subsection (a) for a fiscal year shall be used for administrative expenses of the Authority.

§ 2009aa-13. Termination of authority

This subchapter and the authority provided under this subchapter expire on October 1, 2012.

END OF DOCUMENT

DENALI COMMISSION

FISCAL YEAR 2011

BUDGET JUSTIFICATION

Denali Commission
510 L Street, Suite 410
Anchorage, AK 99501
907.271 1414

January 29, 2010

I am pleased to present the Denali Commission's detailed budget request for Fiscal Year 2011. The Denali Commission (Commission) supports the President's recommendation of $16 million.

The Commission was established by The Denali Commission Act of 1998 (Title III, P.L. 105-277, 42 USC 3121), which recognized the need for a coordinated approach to address the vital health and infrastructure needs of Alaska communities, particularly isolated Native villages and other communities lacking access to the national highway system, affordable power, adequate health facilities and other contributors to achieving economic self-sufficiency.

The Commission programs underway for the past ten years are directly connected to the life, health, safety and sustainability of Alaskan communities and Alaskan residents. The barriers created by size, geography and lack of basic infrastructure in Alaska still cause significant portions of our rural population to live without basic infrastructure, health standards and public facilities.

This FY 2011 request will allow the Commission to deliver critical energy projects to Alaska's communities. With diesel fuel topping $8.00 a gallon in many of Alaska's rural communities, the Commission's active engagement in alternative and renewable energy projects is more critical than ever. These projects which include hydro, in-river turbines, wind generation, and geo-thermal, directly complement President Obama's call to reduce dependence on foreign oil sources and diversify our energy portfolio. The Commission's energy program also funds the planning, design, and construction of bulk fuel tanks and rural power systems, which directly assists in reducing cost and enhancing access to code compliant facilities.

This funding will allow the Commission to continue planning, designing, constructing and equipping health facilities located in rural Alaska communities. In support of these infrastructure projects, the FY 2011 request will also provide critical economic development and workforce development, tied directly to jobs and employability for hundreds of Alaska residents. The budget includes a new provision that would require Commission construction projects to receive matching funds from the recipient community or the State of Alaska. The required match is 20% for distressed communities and 50% for non-distressed communities.

Currently, the Commission has 252 grant awards and 586 projects that are active in our system. The total number of all projects, in various stages from inception to close-out well exceeds 1,900.

In addition to successful program delivery, the Commission continues to make improvements and receive recognition of its administrative and operational services. The Commission utilizes the Office of Management and Budget Centers of Excellence for human resources, travel and procurement. In FY 2008 the Commission successfully transitioned to the Grants Line-of-Business and subsequently in FY 2009 transitioned to the Finance Line-of-Business, which is now fully operational.

Please see the table below that enumerates the budgeted line items for Fiscal Year 2011 in accordance with our requested $16 million.

FY 2011 Budget Request	**Discretionary**	**Trans-Alaska Pipeline Liability**	**Total**
10 Personnel Compensation and Benefits	598,250.00	200,000.00	**$798,250.00**
20 Contractual Services and Supplies			
30 Acquisition of Assets			
40 Grants and Reimbursable Agreements	11,366,750.00	3,800,000.00	**$15,166,750.00**
[Energy, Health & Training]			
Total	**$11,965,000.00**	**$4,000,000.00**	**$15,965,000.00**

The *Inspector General Act Amendment of 1988 (PL 100-504)* requires the Commission to maintain an independent Office of Inspector General (OIG), which reports to the Federal Co-Chair and Congress.

The amount of the Inspector General's initial request for FY 2011 was $373,000. The amount in this budget justification requested for the Office of Inspector General is $373,000. The amount of funding for training for FY 2011 is $5,000, as well as, $900 in support of the interagency IG council. In October 2008, Congress passed The *Inspector General Reform Act (PL 110-409).* This legislation placed increased requirements on the office of each Inspector General. This budget reflects the increased costs associated with complying with this legislation. Inspector General activities will continue to emphasize the effectiveness and efficiency of program operations and compliance with laws and regulations affecting grant programs, as well as coordination and cooperation with other oversight offices on crosscutting issues and legislated reviews. Audit activities enable the Commission to produce audited financial statements, as other agencies are required to do under the Accountability or Tax Dollars Act.

The Denali Commission would like to thank you for your support. Should you have any questions please do not hesitate to call me at (907) 271-1414.

Sincerely,

Joel Neimeyer
Federal Co-Chair

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SECTION 1- DENALI COMMISSION INTRODUCTION

In 1998 Congress focused national attention on the immense infrastructure and economic challenges faced by rural Alaskan communities with the passage of the Denali Commission Act. The Act became law on October 21, 1998 (Title III of Public Law 105-277, 42 USC 3121). The Denali Commission is an innovative federal-state partnership designed to provide critical utilities, infrastructure and support for economic development in Alaska by delivering federal services in the most cost-effective manner possible. By creating the Commission, Congress mandated that all parties involved partner together to find new and innovative solutions to the unique infrastructure and economic development challenges of America's most remote communities. This approach gives the Denali Commission its unique scope and breadth of services.

Alaskans face enormous challenges of remote distances, harsh climates, undeveloped economies, and high costs. Over 200 of our communities are off the road system. Most villages lack the basic infrastructure the rest of the nation has enjoyed for decades. Basic facilities such as health clinics, reliable power generation, diesel storage tanks, washeterias, teacher and elder housing, multi-purpose facilities and sanitation facilities are the building blocks needed so that residents have an acceptable level of health and safety. These essential facilities encourage private sector development, and together help create viable healthy communities and people who have a chance at competing in today's global economy.

Purpose of the Commission

Deliver the services of the federal government in the most cost-effective manner practicable by reducing administrative and overhead costs.

Provide job training and other economic development services in rural communities, particularly distressed communities (many of which have a rate of unemployment that exceeds 50%).

Promote rural development and provide power generation and transmission facilities, modern communication systems, bulk fuel storage tanks, and other infrastructure needs.

Mission

The Denali Commission will partner with tribal, federal, state, and local governments and collaborate with all Alaskans to improve the effectiveness and efficiency of government service, to develop a well-trained labor force employed in a diversified and sustainable economy, and to build and ensure operation and maintenance of Alaska's basic infrastructure.

Vision

Alaska will have a healthy, well-trained labor force working in a diversified and sustainable economy that is supported by a fully developed and well-maintained infrastructure.

Values

Catalyst for Positive Change
The Commission will be an organization through which agencies of government, including tribal governments, may collaborate, guided by the people of Alaska, to aggressively do the right things in the right ways.

Respect for People and Cultures
The Commission will be guided by the people of Alaska in seeking to preserve the principles of self-determination, respect for diversity, and consideration of the rights of individuals.

Inclusive
The Commission will provide the opportunity for all interested parties to participate in decision making and will carefully reflect their input in the design, selection, and implementation of programs and projects.

Sustainability
The Commission will promote programs and projects that meet the current needs of communities and provide for the anticipated needs of future generations.

Accountability
The Commission will set measurable standards of effectiveness and efficiency for both internal and external activities. Priority will be generally given to projects with substantial cost sharing.

Model and Process

The Commission Act requires that seven leading Alaskan policy makers form a team as the Denali Commission:

Federal Co-Chair appointed by the U.S. Secretary of Commerce

State Co-Chair who is the Governor of Alaska

Executive President of the Alaska, American Federation of Labor and Congress of Industrial Organizations

President of the Alaska Federation of Natives

President of the Alaska Municipal League

President of the Associated General Contractors of Alaska

President of the University of Alaska

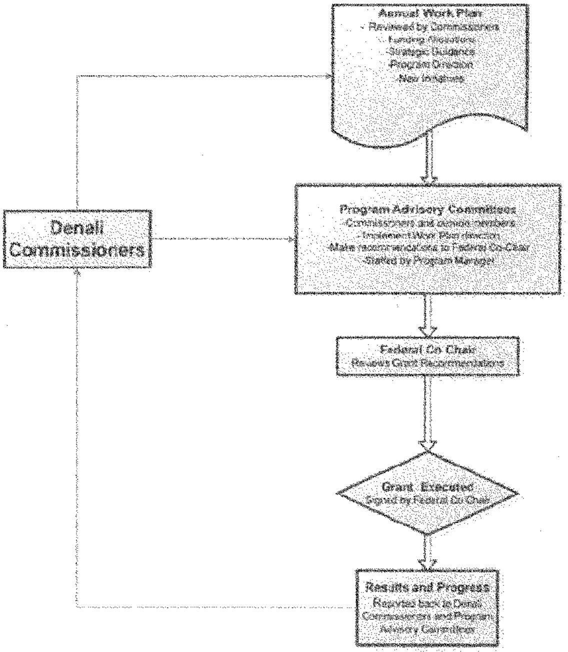
Each year, the commissioners solicit input from the general public, local governments, and other organizations through a proposed work plan. The Commission also provides a comprehensive work plan for rural and infrastructure development and necessary job training in the area covered. This proposed plan is submitted to the federal co-chair for review and then published for public review.

The federal co-chair takes into consideration the information, views, and comments received from interested parties through the public review and comment process and consults with appropriate federal officials in the state. Next, the Secretary of Commerce approves, disapproves, or partially approves the plan. The Commission then moves forward with approved projects.

Denali Commission Decision Making Process

This efficient methodology shortens the timeline for many projects critical to rural community survival across the state.

Commissioners meet at least twice a year to develop and monitor annual work plans that guide its activities. Commissioners draw upon community-based comprehensive plans as well as comments from individuals, organizations and partners to guide funding decisions. This approach helps provide basic services in the most cost-effective manner by moving the problem solving resources closer to the people best able to implement solutions.


Denali Commissioners
Annual Work Plan
- Reviewed by Commissioners
Funding Allocations
Strategic Guidance
Program Direction
New Initiatives
Program Advisory Committees
Commissioners and outside members
Implement Work Plan direction
Make recommendations to Federal Co-Chair
Staffed by Program Manager
Federal Co Chair
Reviews Grant Recommendations
Grant Executed
Signed by Federal Co Chair
Results and Progress
Reported back to Denali Commissioners and Program Advisory Committees

The Commissioners

JOEL NEIMEYER
Federal Co- Chair
Denali Commission

KAREN REHFELD
State Co-Chair
Director of the Office
Of Management & Budget
State of Alaska

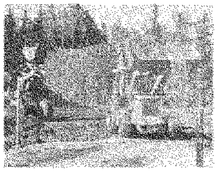
VINCE BELTRAMI
Executive President
Alaska AFL-CIO

JULIE KITKA
President
Alaska Federation of Natives

JOHN MACKINNON
Executive Director
Associates General
Contractors of Alaska

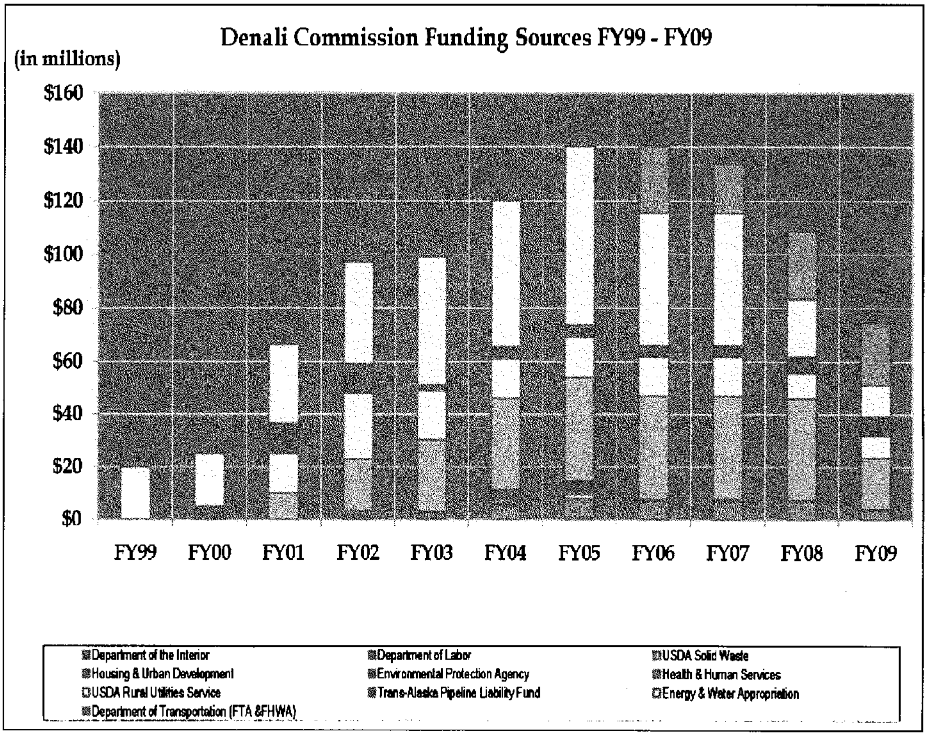
KAREN PURDUE
Associate Vice- President for Health
University of Alaska

KATHIE WASSERMAN
Executive Director
Alaska Municipal League



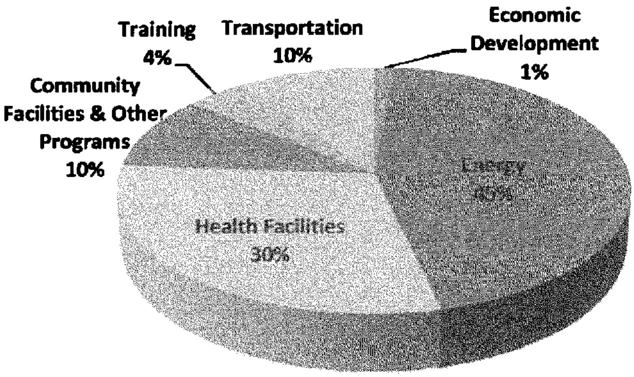
SECTION 2: PROGRAM SUMMARIES, ACHIEVEMENTS, FUNDING AND STRATEGIES

The Energy and Water Appropriations (commonly referred to as Commission base funding) are eligible for use in all programs, but has historically been used substantively to fund the Energy Program. The Energy Policy Act of 2005 established new authorities for the Commission's Energy Program, with an emphasis on renewable and alternative energy projects. No new funding accompanied the Energy Policy Act, and prior fiscal year Congressional direction has indicated that the Commission should fund renewable and alternative Energy Program activities from the available base appropriation. All other appropriations outlined may be used only for the specific program area and may not be used across programs. For example, the U.S. Health Resources and Services Administration (HRSA) funding, which is appropriated for the Health Facilities Program, may not be moved to the Economic Development Program. The figures appearing in the funding sources table include an administrative deduction of 5%, which constitutes the Commission's 5% overhead.

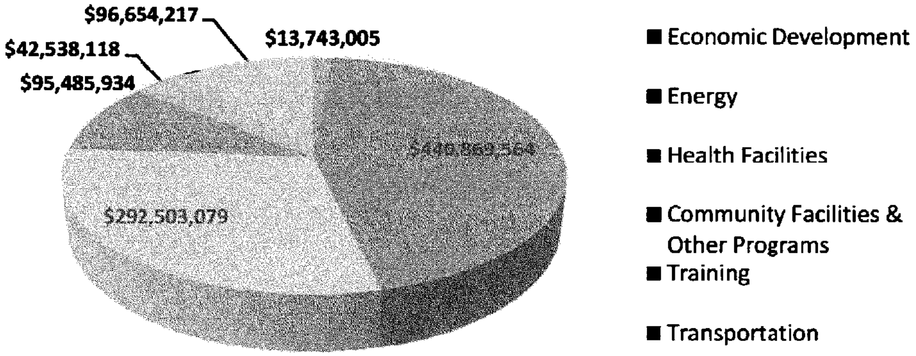


Denali Commission Funding Sources FY99 - FY09

FY99 - FY09 Program Funding Snapshot



FY99 - FY09 Program Funding Snapshot



Program Summary: *Government Coordination*

As defined by statute, the Denali Commission is charged with the special role of increasing government effectiveness. The Commission does so by acting as a catalyst and strategic partner for many federal and state programs in Alaska. Transparency and accountability in government requires that agencies strive to coordinate and collaborate together. Failure to do so may result in inefficiencies, duplication and an inability to effectively carry out our respective missions.

The Denali Commission's agility, flexibility and track record of innovation depends on our ability to partner, support and collaborate with a wide variety of federal and state agencies. The foundation for this collaboration has been a unique Memorandum of Understanding (MOU) between both state and federal agencies throughout Alaska signed in 2000, 2003 and 2008. These MOU's adopted a workgroup model focusing on planning, utilities, housing and infrastructure.

Today, Government Coordination has become a mainstay of the efforts the Denali Commission has undertaken in improving communities in rural Alaska and several efforts have produced effective workgroups throughout the years including: the *Planning Workgroup*, the *Buckland Workgroup*, the *MOU Partners Workgroup* and the *Alaska Clearinghouse* project.

A copy of the MOU signed by state and federal partners in Government Coordination can be found in Appendix A.

Guiding Principles for Coordination

Sustainable Infrastructure- Participants of the MOU recognize the importance of funding and developing infrastructure programs and projects that will have a positive, lasting affect in rural Alaska. Parties agree to communicate and coordinate project planning, pre-development, site planning, design and construction processes.

Economic Development- Parties recognize that government can provide opportunities for meaningful private sector development. Parties agree to coordinate activities which can stimulate economic growth.

Workforce Development- Workforce development and having a job is critical to family and community wellbeing. Parties agree to coordinate on programs and policies that promote a skilled rural workforce.

Planning and Coordination- Local participation, to include local funding is essential for successful infrastructure projects. Parties affirm the importance of local planning to identify and prioritize proposed projects, and the need to understand the overall impacts of multiple projects on a community.

Communication- Active communications and sharing of information increases efficiencies and decreases the duplication of services. To the extent allowed by each agencies guidelines, MOU participants will share information as needed for the successful implementation of projects.

Involving other partners- Participants recognize that many other non-profit and community organizations in Alaska are valuable resources for furthering the goals of this MOU. Parties will collaborate and communicate to provide regional planning, program support and partnering opportunities where practicable.

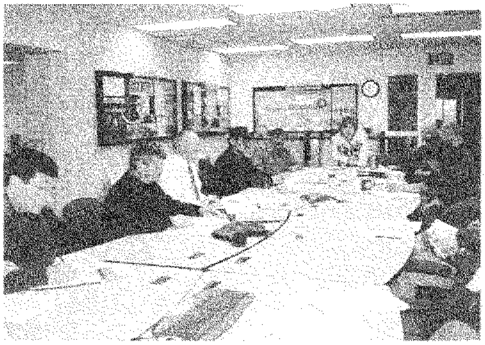
Fiscal Year 2011 Government Coordination Goals

Government Coordination efforts at the Denali Commission provide communication between key federal and state stakeholders across the state of Alaska. With continued funding, the Commission would be able to deliver program efforts and lead state and federal collaboration by facilitating, organizing and leading government partnerships in new and innovative ways across the entire state. Continued efforts and goals involve the MOU Partners Workgroup. New partnerships and goals include a new Sustainable Rural Communities initiative and stronger ties to tribal governments.

Means and Strategies

The Government Coordination Program is led by one Program Manager and overseen by the Director of Programs.

To be successful in coordinating with other state and federal agencies there is a clear invitation for open communication at all times. A monthly newsletter and annual report, viewable on the Commission website at www.denali.gov assists is keeping all parties informed and connected. The measurement of success is outlined in quarterly meetings to eliminate duplication of efforts for rural Alaskan communities.

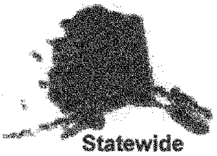


Buckland Community Development Meeting held in Anchorage, Alaska

March 2009 Quarterly Meeting held in Fairbanks, Alaska

Government Coordination

Sustainable Rural Community Development Workgroup



Workgroup History at the Denali Commission:

The Denali Commission is charged with the special role of increasing government effectiveness. The Commission does so by acting as a catalyst and strategic partner for many federal and state programs in Alaska. The Commission joined other agencies in a Memorandum of Understanding (MOU) that outlines the roles of agencies in coordinating resources and efforts in areas such as community planning, sustainability, data sharing and coordination of pre-construction activities. Today, Government Coordination has become a mainstay of the efforts the Denali Commission has undertaken for rural Alaska community improvements.

In August 2009 the Secretaries of the U.S. Department of Energy, Housing and Urban Development, Education and Agriculture visited Alaska. This group received firsthand knowledge of the realities of village life and the unique challenges facing rural Alaska communities. As a result of this historical visit by these Cabinet members and by the Alaska Congressional Delegation, a new direction for government coordination between state and federal agencies was discussed and formulated and the Denali Commission was charged with leading this new effort of collaboration.

At the request of Senator Mark Begich, a *Sustainable Rural Community Development Interagency Meeting* was hosted by the U.S. Department of Housing and Urban Development on January 14, 2010 in Anchorage to find solutions for sustainable rural community development. It was recognized early on that this effort of collaboration coincided with the Denali Commission's efforts in the already established MOU Partners Workgroup.

This new group, *Sustainable Rural Communities*, committed to compiling a report for the delegation, Cabinet members and major stakeholders by **May 5, 2010** for comment and input - addressing the following goals for the improvement of government efforts in rural Alaska:

- Identify statutory and regulatory changes that affect Alaska so the Alaska delegation can address them for all Alaskans.
- Identify best practices that work to bring government costs down with a focus on innovative solutions.
- Identify the barriers that prevent implementation best practices and recommend solutions to address those barriers.
- Establishment of a tribal consultation plan as defined in President Obama's Executive Order 13175.

Comments and input for all major stakeholders will be compiled by the first of July, 2010 and a final report presented by August 2010.

Results:

May 2010: A report will be developed by May 5, 2010 addressing the workgroup's goals for participating federal and state agencies, the Alaska Delegation, and to the offices for all of President Obama's cabinet. That report will include: an overview of any existing statutory and regulatory changes that affect Alaska so the Alaska delegation can address them for all Alaskans and a methodology of identifying this in the future; an overview of best practices that work to bring government costs down with a focus on innovative solutions; an overview of barriers that prevent the implementation best practices and recommend solutions to address those barriers; and a tribal consultation plan.

As discussed by President Obama, the United States has a unique legal and political relationship with Indian tribal governments, established through and confirmed by the Constitution of the United States, treaties, statutes, executive orders, and judicial decisions. The state of Alaska's tribal governance structures include multifaceted government layers not faced in lower 48 tribes including: boroughs, cities, municipalities, school districts and both Regional and Village Alaska Native corporations. This tribal consultation could be used as a model for this effort in Alaska and create meaningful dialogue between federal and state officials and tribal officials for the improvement of federal policies.

July 2010: The *Sustainable Rural Communities* workgroup will compile comments and changes from all concerned stakeholders and provide a final report by August 2010.

August 2010: By **August 2, 2010** the Denali Commission will provide a final Sustainable Rural Communities workgroup to include the goals and input from other agencies and concerned stakeholders.

Program Summary: *Energy*

Recognizing the critical role energy plays in the quality of life and economic development of Alaska's communities, the Commission has made energy its primary infrastructure theme since 1999. The Commission continues to make great strides developing safe and reliable energy infrastructure in Alaska.

The Energy Program primarily funds design and construction of replacement bulk fuel storage facilities, upgrades to community power generation and distribution systems, alternative-renewable energy projects, and some energy cost reduction projects. The Commission works with the Alaska Energy Authority (AEA), Alaska Village Electric Cooperative (AVEC), Alaska Power and Telephone (APT) and other partners to meet rural communities' fuel storage and power generation needs.

Projects Funded

Bulk-Fuel Storage

Community Power Generation

Distribution Systems Upgrades

Energy Cost Reduction Projects

Renewable Energy

Alternative Energy

Power Line Interties

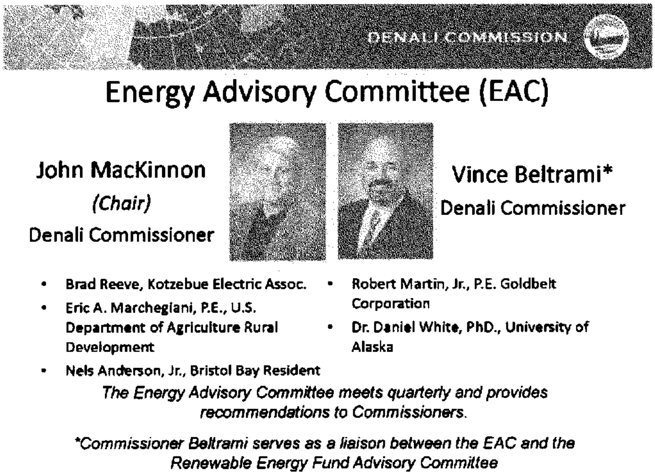
Fiscal Year 2011 Energy Program Goals

Projects for bulk fuel tank construction and Rural Power System Upgrades (RSPU) will be selected from the state-wide deficiency list. Additional funding will be utilized for on-road communities, deficiency evaluations and alternative energy projects, along with energy cost reduction projects and/or end user efficiency upgrades (ECR and EUE respectively). The Commission continues to comply with the Administration's initiative to reduce dependence on foreign oil by investigating alternative energy projects across Alaska like wind, hydro, geothermal and emerging technologies in this arena. Specifically, the area of emerging technologies is a priority for the Commission and an unmet need in identifying the greatest efficiency potential.

Results for FY11 are anticipated to include up to thirty (30) emerging technology projects. Examples include solar feasibility, wind-diesel hybrid analysis, organic heat recovery systems, electric vehicle power generation for small remote villages, wood pellet fire boiler systems, small-scale hydrokinetic power and smart grid technology for rural communities.

The Commission anticipates funding up to fifteen (15) communities with bulk fuel and/or power system upgrade or replacement in FY11. In addition to emerging technologies, energy efficiencies for diesel reliant communities continue to be a priority. By upgrading communities with large bulk fuel facilities, the cost of fuel transport is dramatically decreased. Additionally, rural power systems for remote, off-grid villages can experience up to 50% fuel efficiency through replacement of basic generator, switch gear and other upgrades to power systems. This savings is further increased as renewable technologies are made feasible and implemented to offset high energy costs.

Bulk fuel tank upgrades contribute to the health, life and safety of communities by providing sustainable, code compliant fuel storage while reducing the risk for spills and fires. Power plant upgrades provide significant cost reductions and end use efficiency upgrades provide more useful power per gallon of fuel used, thus reducing the cost of energy in the communities and decreasing the needed fuel storage capacity. Wind projects likewise reduce the need for fuel storage and purchase. The possible fuel savings for two wind projects is around 80,000 gallons per year. Anticipated offsets for each ECR or EUE projects are 180,000 to 200,000 gallons of diesel, with lifecycle cost savings double those of the project costs.


DENALI COMMISSION

Energy Advisory Committee (EAC)

John MacKinnon
(Chair)
Denali Commissioner

Vince Beltrami*
Denali Commissioner

- Brad Reeve, Kotzebue Electric Assoc.
- Eric A. Marcheglani, P.E., U.S. Department of Agriculture Rural Development
- Nels Anderson, Jr., Bristol Bay Resident
- Robert Martin, Jr., P.E. Goldbelt Corporation
- Dr. Daniel White, PhD., University of Alaska

The Energy Advisory Committee meets quarterly and provides recommendations to Commissioners.

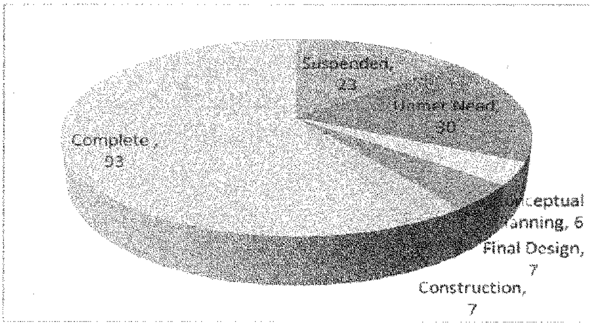
**Commissioner Beltrami serves as a liaison between the EAC and the Renewable Energy Fund Advisory Committee*

Means and Strategies

The Energy Program is led by one Program Manager and a Deputy Energy Program Assistant. Both positions are overseen by the Director of Programs. To be successful the Commission's Energy Program has been actively engaged in soliciting requests for information regarding the universe of projects that may exist in the state of Alaska for renewable and alternative energy.

The Commission had made it common practice to engage in combination diesel/wind energy projects in its legacy bulk fuel program, and recognizes the importance of continued development of alternative and renewable technologies. In 2007 a request for information (RFI) yielded a well of 185 projects that in total represent approximately $2 billion in alternative and renewable energy needs in the state of Alaska. The Commission, through engagement of its Energy Advisory Committee, will be actively evaluating how these projects can be combined with existing initiatives to ensure that low cost, reliable energy is provided to all Alaska residents. At a time when diesel fuel prices can reach upward of $8- $9/gallon in rural communities, the energy crisis is a critical focus of the Commission.

Bulk Fuel Storage Universe of Need in Alaska Rural Communities-2009



Energy Results

Partnerships—The U.S. Department of Agriculture Rural Development Rural Utility Service program is critical to the Denali Commission success in energy and has enabled the Commission to address the bulk-fuel storage deficiencies and improve energy efficiencies by upgrading infrastructure in over 100 communities. This translates into cleaner, healthier energy that is more cost effective for our poorest citizens.

Results—The Denali Commission is proving reliable, code compliant fuel storage and power generation to thousands of rural Alaskans. Thus far, the Commission has completed 93 bulk fuel tank farms in rural communities throughout Alaska and has completed 48 Rural Power System Upgrades (RPSU). An updated comprehensive universe of need report will be completed in 2009 providing current, reliable resources to the Denali Commission and partners for future projects.

Fiscal Year 2009 Projects

Title/Project Description	2009 Energy Funds
Unalakleet *RPSU*	$3,500,000.00
Savoonga *Power Plant Completion*	$466,689.00
Eagle *Hydrokinetic Project Completion*	$25,298.00
Statewide *DOE Energy Efficiency and Conservation Block Grant Match*	$40,510.00
Chevak *Power Plant Completion*	$1,474,394.00
Chevak *Wind Completion*	$597,704.00
Chistochina, Mentasta Lake, Slana *Completion of the Mentasta, Slana, Chistochina Intertie*	$674,601.00
Kipnuk *RPSU Renovation*	$400,000.00
New Stuyahok *Bulk Fuel Facility*	$3,230,694.00
New Stuyahok *Power Plant Pad Construction*	$315,000.00
Nightmute *Bulk Fuel Completion*	$402,305.00
Mekoryuk *Bulk Fuel Completion*	$1,497,310.00
Brevig Mission *Bulk Fuel Completion*	$313,686.00
New Stuyahok *Bulk Fuel Facility*	$4,734,306.00
	$17,672,497.00

Energy Program Partners

Alaska Center for Energy and Power
(ACEP)
www.uaf.edu/acep

Alaska Energy Authority
www.aidea.org/aea

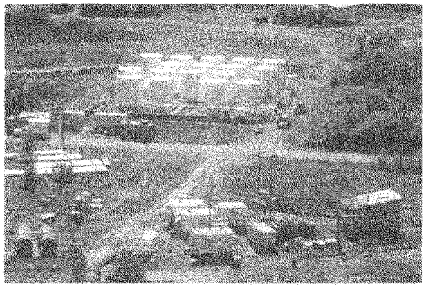
Alaska Power & Telephone
www.aptalaska.com

Alaska Village Electric Cooperative
www.avec.org

National Energy Technology Lab
(NETL)
www.netl.doe.gov

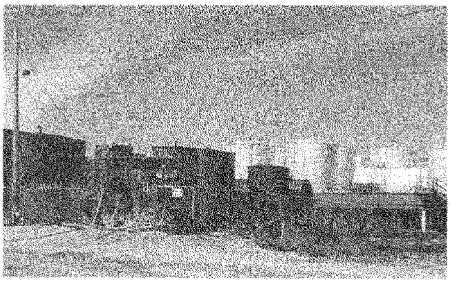
National Renewable Energy Lab
(NREL)
www.nrel.gov

U.S. Department of Agriculture
Rural Utility Service
www.usda.gov/rus/electric



Kwethluk Bulk Fuel Tanks

Toksook Bay Wind Turbines



Deering Old and New Bulk Fuel Tanks

Denali Commission Results Report

Energy Project

Kasigluk Amalgamated Energy Project

Project Numbers: 49A-49H

OVERVIEW

Kasigluk is an isolated village located 26 miles northwest of Bethel. Kasigluk, Old Kasigluk, and Nunapitchuk, 4 miles upriver, rely on diesel powered generators for electric power. The combined population of these communities is just over 1,100 residents. There are no roads and transport is limited to a few small airplanes a week, depending on weather, personal skiffs, and barges. Prior to the Denali Commission's investment, each community had a power plant and associated bulk fuel facility. **This amalgamated project provided for one power plant, three wind turbines, and a bulk fuel facility in Kasigluk with an intertie to connect the 3 communities.**

LESSONS LEARNED

Barge delivery of construction materials and fuel is dependent upon schedules, river water levels, and other factors. Poor soil conditions and thawing permafrost were encountered. Much of the heavy fabrication and construction were done during winter months which resulted in reduced productivity due to severe weather conditions. The wind turbine foundations were specially engineered and constructed to overcome the challenges of the soil conditions. Thermosiphons were installed at wind turbine foundations to maintain frozen soil conditions and thermistor strings are utilized to monitor the sub-grade soil temperatures.

RESULTS

This family of projects provides efficient energy solutions to three communities. The intertie allows the operation of one power plant and associated fuel tank farm and distributes the benefits of renewable energy. **In 2008, the wind turbines displaced nearly 22%of the diesel fuel consumed to run the generators.** Recovered heat is available to heat community buildings near the power plant.

Front to back: bulk fuel storage; power plant; wind turbines

Recipient

Alaska Village Electric Cooperative (AVEC)

Denali Commission Funding

$15,566,993.00

Total Match Funding

$1,273,924

Total Project Cost

$16,840,917

Match Funders

AVEC

Affected Communities

Kasigluk, Old Kasigluk, Nunapitchuk

Program Summary: *Health Facilities*

Projects Funded

- Primary Care Facilities
- Elder Supportive Housing Facilities
- Behavioral Health Facilities
- Primary Care in Hospitals
- Domestic Violence Facilities
- Assisted Living Facilities

Congress amended the Denali Commission Act in 1999 to provide for planning, designing, constructing and equipping health facilities.

The Health Facilities program is a collaborative one, with the partnership of numerous organizations, and the invaluable assistance of the Alaska Native Regional Health Corporations. The Commission has methodically invested in regional networks of primary care clinics across Alaska, and these clinics have remained a priority.

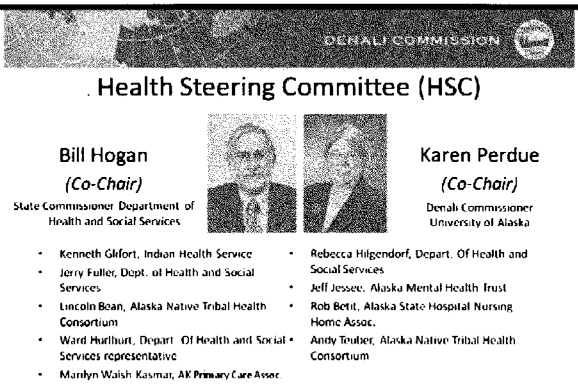
In response to Congressional direction in 2003, funding for additional program areas addressing other health and social service related facility needs was initiated. The Health Facilities Program has adopted innovative additions to clinic design, including behavioral health and dental care. The program has expanded to include annual initiatives like domestic violence facilities, elder housing, primary care in hospitals, emergency medical services equipment and hospital designs.

The program utilizes a universe of need model for primary care and an annual selection process through a Health Steering Committee for other program areas. In 1999, the program created a deficiency list for primary care clinics and found 288 communities statewide in need of clinic replacement, expansion and/or renovation; this list was updated in 2008. Projects are recommended for funding if they demonstrate project readiness.

Fiscal Year 2011 Health Program Goals

The Health Facilities Program is a collaborative effort which methodically invests in *regional networks* of primary care clinics across Alaska. The Commission has made a monumental impact in the lives and health of rural Alaskans by contributing to the construction of needed health facilities throughout the state: 95 clinics have been completed, 29 are being constructed now and 110 are in the conceptual planning / business planning / design phases.

Results for FY11 include 9 primary care clinics (new construction or renovation), 8 primary care clinic designs, 4 behavioral health facilities, 9 primary care in hospitals projects, 5 emergency medical equipment projects, and 6 elder housing projects.



DENALI COMMISSION

Health Steering Committee (HSC)

Bill Hogan
(Co-Chair)
State Commissioner Department of Health and Social Services

Karen Perdue
(Co-Chair)
Denali Commissioner
University of Alaska

- Kenneth Glifort, Indian Health Service
- Jerry Fuller, Dept. of Health and Social Services
- Lincoln Bean, Alaska Native Tribal Health Consortium
- Ward Hurlburt, Depart. Of Health and Social Services representative
- Marilyn Walsh Kasmar, AK Primary Care Assoc.
- Rebecca Hilgendorf, Depart. Of Health and Social Services
- Jeff Jessee, Alaska Mental Health Trust
- Rob Betit, Alaska State Hospital Nursing Home Assoc.
- Andy Teuber, Alaska Native Tribal Health Consortium

The Health Steering Committee meets quarterly and provides recommendations to Commissioners.

Means and Strategies

The Health Facilities Program is a led by one Program Manager and one Deputy Program Assistant, both overseen by the Director of Programs.

To be successful in developing the program there is a Health Facilities Steering Committee that meets on a quarterly basis. The committee's work is instrumental in fine-tuning the project selection process to better reflect the evolving resources and goals of the Health Facilities Program. The Behavioral Health Subcommittee was resurrected FY 2009 and began the process of crafting new directions for the behavioral health facility component of the program.

A Gated Process: The Health Facilities Program has a rigorous application process for primary care clinics, including:

Business planning, Community planning, and Conceptual planning

Site Plan Checklists – to ensure the site of the new facility is sound, and has clear title to the owners

Design – which incorporate green / energy conservation and efficiency features; and which are right sized to small rural Alaskan communities

Construction

Each of these phases is "gated" – and projects are only permitted to move to the next phase when Denali Commission approval is granted.

Fiscal Year 2009 Projects

Title/Project Description	2009 Health Funds
Juneau *Bartlett Digital Mammography Equipment*	$420,958.00
Ketchikan, Kodiak Island Borough, Petersburg, Wrangell *APSCI's Consortium Project for 4 Hospitals' Oxygen Generating Systems*	$451,729.00
Nome *Norton Sound Pyxis Machine*	$185,140.00
Petersburg *Petersburg Surgical Videoscope System*	$49,751.00
Valdez *Valdez Anesthesia Delivery System*	$28,746.00
Valdez *Valdez Equipment for Obstetrics*	$23,746.00
Wrangell *Wrangell Medical Center - Refurbished 16 Slice CT Scan*	$366,676.00
Ketchikan *Ketchikan Senior Citizens Services, Inc - Pioneer Heights Senior Housing*	$1,137,823.00
Togiak *Bristol Bay Housing Authority - Togiak Senior Housing Project*	$219,398.00
Mountain Village *Mountain Village Clinic Construction*	$1,998,283.00
Nunapitchuk *Nunapitchuk Clinic Construction*	$2,572,397.00
Ouzinkie *Ouzinkie Clinic Construction*	$1,588,213.00
ANTHC *Health Facilities Planning, Design & Construction* - pending	$2,734,190.00
Hydaburg Clinic Construction	$2,181,189.00
ANTHC Behavioral Health & Primary Care Facilities - FY2009	$1,017,831.00
Maniilaq - *Noorvik Clinic Construction*	$3,683,830.00
Statewide *FY2009 Alaska eHealth Network*	$250,000.00
	$18,909,900.00

Health Program Results

Progress—In ten short years, the Denali Commission has made a monumental impact in the lives and health of rural Alaskans by contributing to the construction of needed health facilities throughout the state:

96 clinics have been completed
23 are being constructed now
107 are in the planning / design phases

Partnerships—Alaska has an intricate system of health delivery – with Tribal, City, Village, private and federally-designated clinics and providers working in partnership to ensure there is a secure continuum of care for isolated communities and regions throughout the state. When the Commission has funded a privately owned facility, it has been because of the critical role that clinic plays in the provision of care for residents. Most of these facilities are Federally-Qualified Health Centers, complete with all of the features and requirements earned by that designation.

Need—Designing and building health facilities in rural Alaska is complex, accounting for small populations, extreme climates, roadless communities, and environmental sensitivities. Methodical planning and attention to unique community challenges enables the Denali Commission to meet these needs.

Health Program Partners

Alaska Department of Health and Social Services (DHSS)
www.hss.state.ak.us

Alaska Housing Finance Corporation
www.ahfc.state.ak.us

Alaska Mental Health Trust Authority
www.mhtrust.org

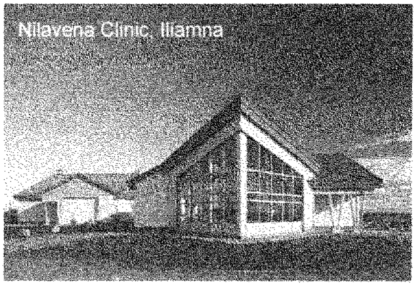
Alaska Native Tribal Health Consortium
www.anthc.org

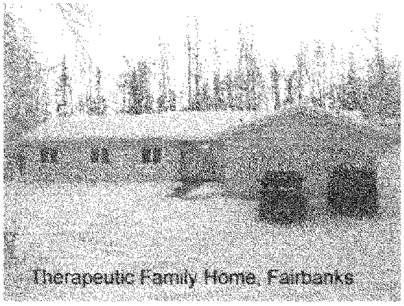
Alaska State Hospital and Nursing Home Association
www.ashnha.com

Health Resources and Services Administration
www.hrsa.gov

Rasmuson Foundation
www.rasmuson.org

Regional Alaska Native
Health Organizations


Nilavena Clinic, Iliamna


Therapeutic Family Home, Fairbanks

Denali Commission Results Report

Primary Care Clinic Project

Harris Sub-regional Clinic

Project Number 371-08

OVERVIEW

This project funded a 5,468 square foot subregional clinic in Chignik Bay on the Alaska Peninsula, to serve the health care needs of Chignik, Chignik Lake, Chignik Lagoon, Perryville, Ivanoff Bay and Port Heiden. The clinic is a federally-designated Community Health Center. This is a unusual project management model which uses a direct grant award to the local tribe using a force account method for construction with increased oversight by the Denali Commission Program staff.

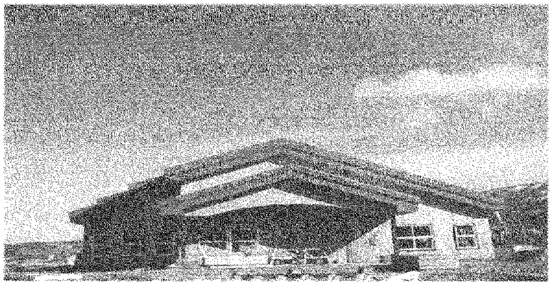
LESSONS LEARNED

This represents a successful application of the Health Facilities Program philosophy to size clinics to the needs of the community and region. This clinic will provide a higher level of care - mid-level practitioners - that cannot be found elsewhere in the region.

RESULTS

The model of a direct award to Chignik Bay Tribal Council proved very successful and reflects the philosophy of tribal self-determination.

The coordination between the Training and Health Programs at the Denali Commission paid off with jobs and future career potential for community residents. Only two outside contractors were hired to work on the clinic. The rest of the labor was local. The project was completed in the summer of 2009.



Recipient

Chignik Bay Tribal Council

Denali Commission Funding

$1,968,780

Total Match Funding

$2,313,670

Total Project Cost

$4,282,450

Match Funders

Chignik Bay Tribal Council

Trident Seafoods

Rasmuson Foundation

RCAC Loan

Alaska Mental Health Trust Authority

Pebble Foundation

Affected Communities

Chignik, Chignik Lake, Chignik Lagoon, Perryville, Ivanoff Bay, and Port Heiden

Program Summary: *Transportation*

Projects Funded

- Local Roads and Boardwalks
- ATV Roads
- Community Connection Roads
- Economic Development Roads
- Regional Port Barge Landings
- Local Small Boat Harbors

The Commission's Transportation Program began in late 2005 as part of the Safe, Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) legislation and accompanying amendments to the Denali Commission Act of 1998 (amended). The program focus is rural roads and waterfront development.

The road program targets basic road improvement needs. It also looks at opportunities to connect rural communities to one another and the state highway system, and opportunities to enhance rural economic development. The waterfront development program addresses port, harbor and other waterfront needs for rural communities. The emerging focus areas are improvements to regional ports, and construction of barge landings and docking facilities.

The Transportation Program has developed successful design and construction partnerships with the U.S. Federal Highway Administration (FHWA) Western Federal Lands Highway Division, Alaska Department of Transportation and Public Facilities and the Corps of Engineers. The program also develops projects with regional, local and tribal governments, and regional tribal non-profits. Success in the program is also a function of excellent ongoing guidance from the FHWA Alaska Division.

Fiscal Year 2011 Transportation Program Goals

The Commission Transportation Program targets basic road improvement needs and waterfront development connecting rural Alaskans through roads and critical waterways. The program has successfully completed 33 road projects and 30 waterfront projects thus far. Over 50 projects are in design or in the planning phase.

Results are estimated at 10-15 road projects and 10-15 waterfront development projects in FY11.

DENALI COMMISSION

Transportation Advisory Committee (TAC)

Joel Neimeyer
(Chair)
Denali Commissioner

- Mike Hoffman, Assoc. of Village Council Presidents
- Steve Ivanoff, Kawerak, Inc.
- Ray Richards, Doyon Ltd.
- Chuck Pool, P.E., R.L.S., Pool Engineering Inc.
- Chuck Quinlan, K'oyitl'ots'ina, Ltd.
- Randy Romenesko, P.E., Consultant
- Walter Sampson, NANA Regional Corp.
- Carvel Zimin, Jr., Bristol Bay Borough Assembly

The Transportation Advisory Committee meets quarterly and provides recommendations to Commissioners.

Means and Strategies

The Transportation Program is a led by one Program Manager and a program assistant, both overseen by the Director of Programs.

To be successful in developing the program, The Transportation Advisory Committee meets at least twice a year. Key outcomes from this group in FY09 include: the revision of the program eligibility and scoring criteria to provide greater clarification to applicant organizations and communities; development of the annual Denali Commission TIP, or project prioritization list; coordination with key program partners such as the Bureau of Indian Affairs, the Corps of Engineers, regional Tribal transportation organizations and Western Federal Lands Highway Division to combine funding and project planning timelines to ensure best value for the funders and further development and refinement of the barge landing study system design, including prioritization of participating communities and initial development of a construction schedule.

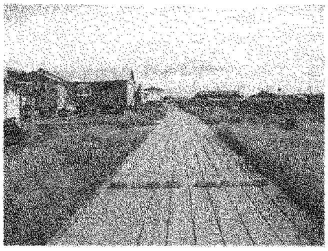
Transportation Results

Unique Goals—A primary and unique goal of the Denali Commission Transportation Program is to work with rural communities to make sure that the road standards applied to projects align with the vehicle fleet that operates in those communities. This translates into a focus on All-Terrain Vehicles (ATV's) and light trucks, and manifests itself in board roads for tundra villages and geo-grid ATV roads between villages and to subsistence harvest areas. These types of projects reduce wear on vehicles, improve driver safety and reduce environmental impacts of ATV's on the fragile tundra.

Flexibility—The Denali Commission has the flexibility to use U.S. Department of Transportation Federal Highway Administration Western Federal Lands Highway Division (FHWA) funds to create joint-funded projects with BIA-based road funding, State of Alaska general funds and other federal-state-local funds to provide projects that would otherwise not be feasible. In addition, the Commission and the State DOT combine funds to provide hard surfacing for state roads that pass through rural communities. This action reduces dust in the communities and improves vehicle and pedestrian safety.

Partnerships—The Denali Commission Transportation Program is working with the U.S. Army Corps of Engineers to develop a barge landing system that provides intermodal connections. Improvements include mooring anchors and small dock face structures that improve fuel/freight transfers, improve worker safety and reduce near shore environmental impacts associated with tugs holding barges against the shore. A rural barge landing system has been absent in the past and is one of the state's pressing freight transfer needs.

Results—The Denali Commission Transportation Program targets basic road improvement needs and waterfront development connecting rural Alaskans through roads and critical waterways. The program has successfully partnered with DOT&PF and U.S. DOT Western Federal Lands Highway Division to complete 33 road projects and 30 waterfront projects thus far. Over 50 projects are in design or in the planning phase.



Typical Community Boardwalk

Fiscal Year 2009 Projects

Title/Project Description	Recipient	2009 FHWA Sec 1960 Roads Funds
Sand Point *School Loop Road Rehabilitation*		$357,103.18
Nenana *9th and K Streets Reconstrucion Phase II*		$627,424.71
Brevig Mission *Brevig Mission Community Streets Construction*		$1,000,000.00
Takotna *Takotna Gold Creek Bridge Replacement*		$272,910.00
Cold Bay *Cold Bay Road Improvements*		$136,455.00
Selawik *Selawik - Boardwalk Construction*		$327,090.00
King Cove *Street Improvement - WFLHD*		$476,817.11
Manley Hot Springs *Manley Hot Springs Community Streets Design*		$1,819,400.00
Manokotak *Manokotak Heights Road*		$2,274,250.00
McGrath *McGrath Road Reconstruction*		$133,499.82
Atmautluak, Nunapitchuk *Tevyraq Railway Tram Design*		$1,364,550.00
Tununak *Tununak ATV Geo-Tech Trail Design*		$2,274,250.00
Akiak *Akiak Roads Rehabilitation*		$2,274,250.00
Gakona *Village School Road Rehabilitation Project*		$1,364,550.00
McGrath *McGrath Road Reconstruction*		$762,555.00
Statewide *Technical Services - Commission Transportation Program*		$13,645.00
Kwethluk *Kwethluk - Airport Roads Improvements and Extensions*		$2,274,250.00
Shaktoolik *Shaktoolik Evacuation Road Design*		$1,000,000.00
		$18,752,999.82

Title/Project Description	Recipient	2009 FHWA Sec 1934 Waterfront Funds
Chenega Bay *Chenega Bay Small Boat Harbor Rehabilitation*		$1,138,813.00
Gustavus *Gustavus Transient Vessel Mooring Facility*		$739,131.00
Akutan *Akutan Marine Link to Airport*		$982,684.00
Old Harbor *Small Boat Harbor Renovations*		$500,000.00
Platinum *Platinum Public Dock Conceptual Design & Road Connection Feasibility*		$196,172.00
		$3,556,800.00

TOTAL TRANSPORTATION	$22,309,799.82

Transportation Program Partners

Alaska Department of
Transportation and Public Facilities
www.dot.state.ak.us

Bureau of Indian Affairs
www.doi.gov/bia

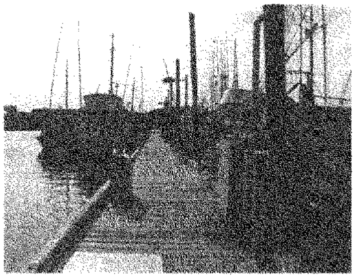
Community Development
Quota Organizations
www.wacda.org

U.S. Department of
Transportation (DOT)
www.dot.gov

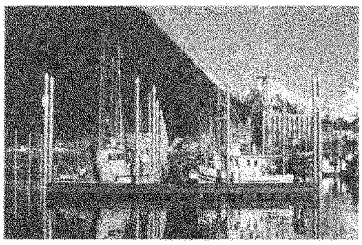
U.S. DOT
Federal Highway Administration
www.fhwa.dot.gov

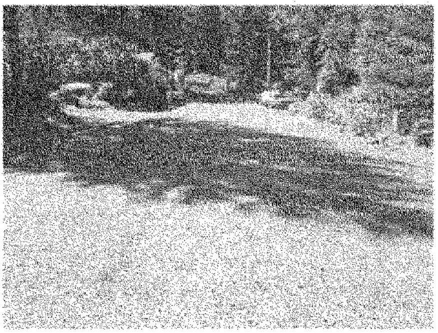
U.S. DOT Western
Federal Lands Highway Division
www.wfl.fhwa.dot.gov

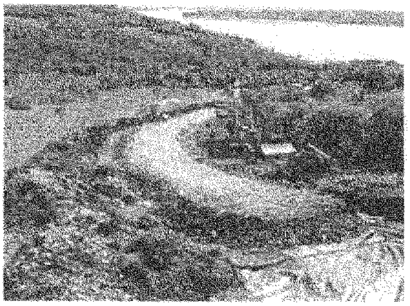
Regional Tribal Non-Profit
Organizations



Old Thomsen Harbor Replacement,
Sitka



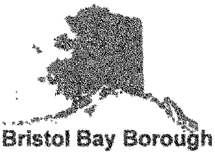




Bottom left: In partnership with the City of Cordova, this chip sealing, dust control road project was completed. *Bottom right*: The Pitka's Point sanitation road project was completed in partnership with the Alaska Native Tribal Health Consortium.

Denali Commission Results Report

Transportation Project


Bristol Bay Borough

Port of Bristol Bay Construction

Project Number: 01062

OVERVIEW

Regional ports provide critical fuel and freight transfer services for villages throughout rural Alaska. Delivered products are redistributed by smaller barges to villages, keeping communities self-sufficient through the winter. Regional ports also provide economic value, often serving as commercial fishing processing and transshipment points.

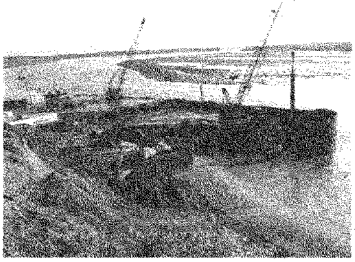
The Port of Bristol Bay, which serves over 30 communities, had been seeking funds for several years. The Denali Commission was able to provide the final $1,700,000 segment of funding to get the project to construction. Construction is successfully underway and the completed project will improve maritime operations throughout the region.

LESSONS LEARNED

This project is a successful partnership with five other funding partners. This strategy of large regional projects with benefits to numerous surrounding communities and to the regional economy overall, reinforces the value of focusing infrastructure development on regional ports. These improvements, supplemented by accompanying barge landing improvements at regional villages, combine to significantly improve fuel and freight delivery services in rural Alaska.

RESULTS

The project, in final construction, will successfully provide additional fuel and freight handling facilities and uplands storage capacity for economic and community demands.



Recipient

Bristol Bay Borough

Denali Commission Funding

$1,700,000

Total Match Funding

$6,371,854

Total Project Cost

$8,071,854

Match Funders

Bristol Bay Borough

Bristol Bay Economic Development Corp.

State of Alaska

Department of Commerce-EDA

Affected Communities

30-west to Togiak east to Port Moller north to Nondalton

Program Summary: *Training*

Projects Funded

Allied Health Professionals

Construction Trades

Facility Operations and Maintenance

Administration of Public Infrastructure and Youth Initiatives

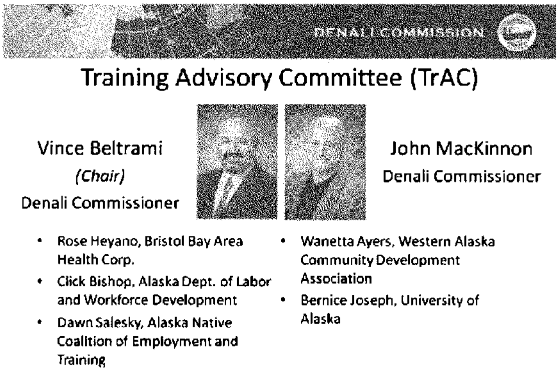
The Commission has placed job training at the center of its comprehensive plan for economic growth in Alaska. In just a few short years, the Commission has made significant strides in assisting rural communities with their workforce development needs. As the Commission funds projects for new clinics, roads, and tank farms, it also builds sustainability into those projects by providing training for local residents to maintain and operate the new facilities. The Commission administers the training program through numerous program partnerships. Each of the partners provide a high level of training opportunities that support Commission investments in rural Alaska by providing training for careers related to Commission programs such as Energy, Transportation, and Health Facilities.

Fiscal Year 2011 Training Program Goals

The Commission's goal is to engage with training projects that facilitate emerging science and technology training and also training for green jobs including energy efficiency and energy conservation initiatives. The Commission will also increase its role in developing the financial and administrative capacities of local city governments through training.

The Commission Training Program will maintain a continued focus on training directed for local residents that enables them to build, operate and maintain Commission infrastructure resulting in 12-15% increase in employment and serving over 300 rural Alaska communities. Additionally, FY11 results will expand to include training that is linked to emerging science and technology, energy efficiency/ conservation, job creation and job attainment for all training, and local capacity building. These results are estimated at creating and/or sustaining jobs statewide and servicing all communities in Alaska.

The Commission's new focus on more scientific and technology driven training will result in economic growth, energy efficiency and improve the quality of life for Alaskan communities. The training program would be able to provide assistance to the communities selected for the energy, transportation, and health care projects that are funded in the projects. By providing funds for training to support the infrastructure built, the community becomes more self sustaining and the investment the Commission made is secure.



Training Advisory Committee (TrAC)

Vince Beltrami
(Chair)
Denali Commissioner

John MacKinnon
Denali Commissioner

- Rose Heyano, Bristol Bay Area Health Corp.
- Click Bishop, Alaska Dept. of Labor and Workforce Development
- Dawn Salesky, Alaska Native Coalition of Employment and Training
- Wanetta Ayers, Western Alaska Community Development Association
- Bernice Joseph, University of Alaska

The Training Advisory Committee meets quarterly and provides recommendations to Commissioners.

Means and Strategies

In communities that can have a 50% unemployment rate, Commission funded training programs have seen increased wages of participants by a staggering 64% and have shown a 12% increase in employment. As the Commission funds projects for new clinics, roads, and tank farms, it also builds sustainability into those projects by providing training for local residents to maintain and operate the new facilities. Commission training projects support job training activities and initiatives in Alaska's allied health professions, construction careers, and maintenance and operation of local facilities. Additionally, the Commission continues to support Alaska's budding workforce through its Youth Initiative which centers on skill development, internships, job preparation, placement and career pathways.

The Training Program is a led by one Program Manager and is overseen by the Director of Programs. To be successful in developing the program there is a Training Steering Committee that meets on a quarterly basis. The major stakeholders in training for the state are members of the committee and assist in selecting projects to fund each year.

Training Program Results

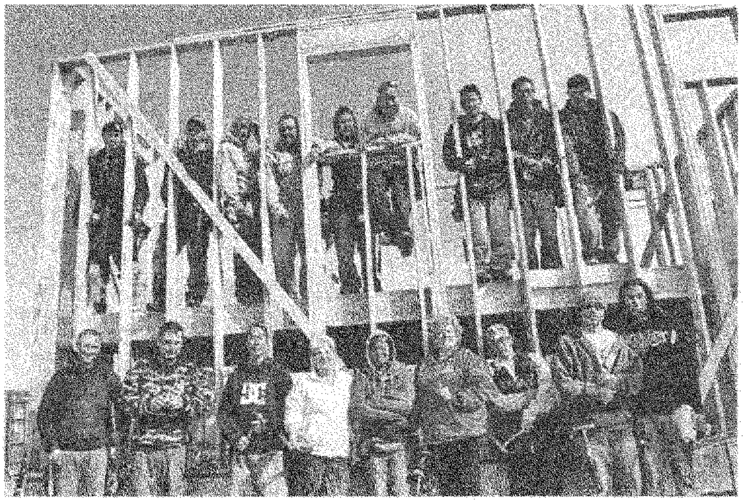
Demonstrated Performance—A recent State of Alaska Department of Labor Research & Analysis report on the Denali Commission training program, shows that the Denali Training Fund (DTF) has **increased wages of those participants by a staggering 64.4%** and shows a **12.1% increase in employment**.

Partnerships—The Denali Commission (Commission) partners with the State of Alaska Department of Labor (DOL) to *reduce redundancy*, *leverage dollars* and to *ensure that all rural Alaska residents have the same training opportunities*.

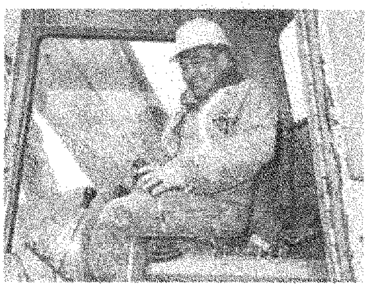
Lasting Results—The Denali Training Fund (DTF) has had 4,480 participants complete training programs between 2001-2007. The program funds only training that leads to employment.

Unique Challenges—The Denali Commission has become the expert in serving our rural residents. To meet this daunting challenge, the Commission has supported innovative, resourceful training entities whose service delivery best fits the needs of rural Alaskans.

Innovation—Denali Commission success can be seen at the University of Alaska. With Commission funding, the University developed web based training for allied health careers. This reduces travel, food and lodging costs and allows rural residents to stay at home to take care of their families and jobs and at the same time earn essential career accreditations.



Construction and heavy equipment operators training.



Training Program Partners

Alaska Department of Labor and Workforce Development
http://labor.state.ak.us

Alaska Works Partnership
www.alaskaworks.org

Construction Education Foundation Associated General Contractors of Alaska
www.agcak.org

First Alaskans Institute
www.firstalaskans.org

University of Alaska
www.alaska.edu

U.S. Department of Labor
www.dol.gov

Denali Commission Results Report

Training and Workforce Development

Alaska Dental Health Therapist Program

Project Numbers: 366-F

OVERVIEW

Alaska Natives suffer from high rates of dental problems which for some age ranges is five times the national average. This, in part, is due to the lack of dental health services in many rural areas. In early 2000, the Denali Commission began integrated dental suites into many of its new constructed health facilities which provided dedicated dental space for the first time ever. Soon after, the Denali Commission joined other funders and regional native health corporations to support the Alaska Dental Health Program. This program trained local participants to become Dental Health Aid Therapist who would be working in the new clinic facilities in rural communities providing the much needed dental services including prevention and education to rural area residents.

LESSONS LEARNED

This training project effects the quality of life for hundreds of rural residents but has an uncertain future because of limited funding expectations. Many efforts have been made to induce long term funding opportunities, however one lesson that has worked to help fund individual programs was the development of a student handbook which lists financial resources for students. This resource has allowed students to successfully apply for a portion of their training expenses and more importantly creating a sense of ownership of their new career.

RESULTS

This workforce development project produced ten graduates who are certified Dental Health Aid Therapist (DHAT) and who are currently working under a two year employment contract with their regional native corporations. The DHAT's are using the dedicated dental space and equipment in the new clinic facilities and providing essential dental health care on site, everyday.

Recipient

Alaska Native Tribal Health Consortium

Denali Commission Funding

$208,000

Total Match Funding

$905,694

Total Project Cost

$1,105,694

Match Funders

Kellogg Foundation

Murdock Charitable Trust

Alaska's Regional Health Organizations

Affected Communities

Atka, St. Mary's, Tok, Toksook Bay, Galena, New Stuyahok, Kotzebue, Sand Point, Hooper Bay and Emmonak

Program Summaries: *Community Facilities*

Teacher Housing

Teaching in rural Alaska can be one of the most rewarding and challenging professions. A critical issue for rural teachers is finding safe, affordable housing during the school year. Housing availability varies by community from newer adequate homes, to old housing units with multiple safety and structural problems, to a lack of enough available housing, requiring teachers to double-up or even live in the school.

Economic Development

The Economic Development program at the Denali Commission realizes that the economic success in Alaska's larger communities is directly related to the success of rural Alaska. These economies are linked and the Commission continues to take important steps at encouraging economic development in one of the most challenging markets in the American economy, rural Alaska.

The Commission encourages economic development through innovative partnerships with regional organizations in the areas of community mapping, community planning, feasibility studies, business planning, small equipment purchases and more.

Solid Waste

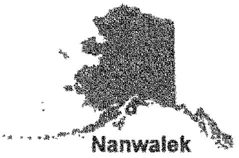
The goal of the solid waste program at the Commission is to provide funding to address deficiencies in solid waste disposal sites which threaten to contaminate rural drinking water supplies. Solid waste handling and disposal is one of the most under-served arenas in the context of Alaska's environmental and public health.

The program employs a competitive RFP process to select and identify projects, and has utilized a multidisciplinary review panel to ensure that projects meet all Denali Commission due diligence and policy requirements.

The Rural Alaska Community Action Program is a program partner with the Commission Solid Waste Program. The program also collaborates with USDA Rural Development's Water and Environmental Program and the U.S. Environmental Protection Agency.

Denali Commission Results Report

Teacher Housing Project



Nanwalek Teacher Housing Project

Project Number: THP-08-KBP-1

OVERVIEW

The word "rural Alaska" often stirs up visions of extreme, remote villages in the Interior of Alaska, where temperatures dip to –40F and winter holds its grip until the late spring. Seldom does one consider southcentral Alaska to be rural. However, new teacher housing has remained elusive for Nanwalek. Even though the community is only about 12 air miles from Homer materials must be barged or flown in, driving up costs significantly. The teacher housing duplex was completed during the summer of 2009.

LESSONS LEARNED

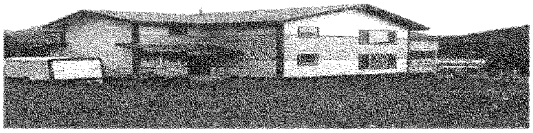
This represents a successful partnership between the State of Alaska (Alaska Housing Finance Corporation), the Denali Commission, along with the commitment and contribution from the Kenai Peninsula Borough.

RESULTS

The Village of Nanwalek has historically experienced high teacher turnover due to the lack of, and quality of, housing in the community.

This completed project was a model of energy efficiency, achieving the highest Bureau of Energy Efficiency (BEEs) rating possible, 5 stars+ and was completely fitted with Energy Star appliances. With the generous contribution of other funders, the community of Nanwalek now has two units of affordable and safe housing.

With the contribution of other funders, the community of Nanwalek now has two additional units of affordable and safe housing for their teachers.



Recipient

Alaska Housing Finance Corporation (AHFC)

Denali Commission Funding

$418,920

Total Match Funding

$419,132

Total Project Cost

$838,052

Match Funders

Alaska Housing Finance Corporation (AHFC)

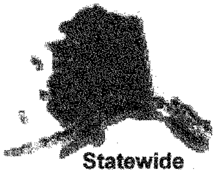
Kenai Peninsula Borough

Affected Communities

Nanwalek

Denali Commission Results Report

Economic Development Project


Statewide

Alaska Source Link
Project Number: 1074

OVERVIEW

AKSoucelink is a web-based community referral service connecting Alaskan's entrepreneurs and small business owners to the training and technical assistance as they may need it. It consists of a website and toll-free hotline, and demonstrates a unique collaboration of rural and urban, Alaska Native and non-Native organizations from every region of Alaska. Thirteen primary service providers across the state have partnered to roll out the program through a series of business development workshops in 30 communities.

LESSONS LEARNED

Small business owners in rural Alaska are excited to have a virtual "one stop shop" where they can connect to the information they need and to "real people who can help you". Internet access is very slow in some rural communities, even where there is wireless, but new funding will be bringing high speed internet to more communities. It takes time and a sustained effort to establish a new program with the geographic scope of this project. Lastly, bringing small businesses and resource partners together in rural communities to discuss business development and resources creates new synergies.

RESULTS

More than 100 resource partners have been recruited to the network and been uploaded into the websites database. In travelling around the state 87% of workshop participants said they would use the website as a resource. Since the website went live in July 2009, more than 530 individualized searches for service have been conducted, from communities of all sizes and regions of Alaska. In the last quarter of 2009, there were 2016visits to the website and 888 unique visits, with 14,444 total page views.

Recipient

University of Alaska - Center for Economic Development

Denali Commission Funding

$449,295

Total Match Funding

$115,000

Total Project Cost

$564,295

Match Funders

University of Alaska

Affected Communities

Statewide Initiative

SECTION 3– A SNAPSHOT OF ACTIVE PROJECTS

The Denali Commission has participated in well over **1,900** projects since 1999. As of October 2009, the Denali Commission Project Database reported over 710 projects at various stages of active status, ranging from inception to close-out process. In order to illustrate the types of projects and needs that Alaskan communities have, below is a snapshot of **17** active projects, organized by program category. The following pages are details on each project title, theme, milestone, and affected communities.

Program Area	**Number of Projects Represented**
Energy	
Bulk Fuel Storage Tanks	2
Other Energy *(Wind Diesel, Intertie, and Conservative Block Grant)*	3
Rural Power System Upgrades	1
Health Facilities	
Hospitals/ Primary Care Clinics	4
Transportation	
Roads/ Boardwalks	2
Docks/ Harbors	1
Teacher Housing	2
Training	2
Total Projects	17

For more information on projects the Denali Commission has been involved with, please visit our Project Database website at www.denali.gov

Bulk Fuel Projects

Project Title:	**Bulk Fuel Upgrades**
Project Number:	01055
Theme:	Bulk Fuel
Milestone:	Construction
Description:	This award provides construction funding in the amount of $2,025,000 to install 243,000 gallons of code-compliant bulk diesel fuel storage for use by the electric power plant that serves the entire village of Brevig Mission. In the future, it is planned that the power plant will also serve the nearby village of Teller, by means of an intertie between Brevig Mission and Teller.

	Funding
Denali Commission:	$2,025,000.00
Other Funding:	$225,000.00

	Name	**Distressed/ Non-Distressed**	**Borough**	**ANCSA Region**	**House District**	**State District**
Communities:	**Brevig Mission**	**N**	**Unorganized**	**Bering Straits Native Corp.**	**39**	**T**

Project Title:	**Bulk Fuel Facility**
Project Number:	01190
Theme:	Bulk Fuel
Milestone:	Construction
Description:	This award of $7,965,000 will provide design, shipment, and installation of two new bulk fuel storage tank farms and related facilities in New Stuyahok, Alaska that will meet all applicable codes and regulations. Alaska Village Electric Cooperative (AVEC) is providing match funding to this award in the amount of $385,000.

	Funding
Denali Commission:	$7,965,000.00
Other Funding:	$385,000.00

	Name	**Distressed/ Non-Distressed**	**Borough**	**ANCSA Region**	**House District**	**State District**
Communities:	**New Stuyahok**	**Y**	**Unorganized**	**Bristol Bay Native Corporation**	**37**	**S**

Hospitals/Primary Care Clinic Projects

Project Title:	**Nome Hospital Design - 2008 Health Program**
Project Number:	01002-A
Theme:	Hospitals
Milestone:	In-Progress
Description:	Funding for the Nome Hospital Design

	Funding
Denali Commission:	$3,820,000.00
Other Funding:	$0.00

Communities:	**Name**	**Distressed/ Non-Distressed**	**Borough**	**ANCSA Region**	**House District**	**State District**
	Nome	**N**	**Unorganized**	**Bering Straits Native Corp.**	**39**	**T**

Project Title:	**Petersburg Primary Care Expansion**
Project Number:	01004-C
Theme:	Hospitals
Milestone:	In-Progress
Description:	Funding includes expansion of primary care center

	Funding
Denali Commission:	$446,649.00
Other Funding:	$446,649.00

Communities:	**Name**	**Distressed/ Non-Distressed**	**Borough**	**ANCSA Region**	**House District**	**State District**
	Petersburg	**N**	**Unorganized**	**Sealaska Corporation**	**2**	**A**

Hospitals/Primary Care Clinic Projects Continued

Project Title:	**Norton Sound Health Corporation**
Project Number:	01004-E
Theme:	Hospitals
Milestone:	In-Progress
Description:	Funding includes purchase and installation of CAT scan.

	Funding
Denali Commission:	$550,218.00
Other Funding:	$842,393.00

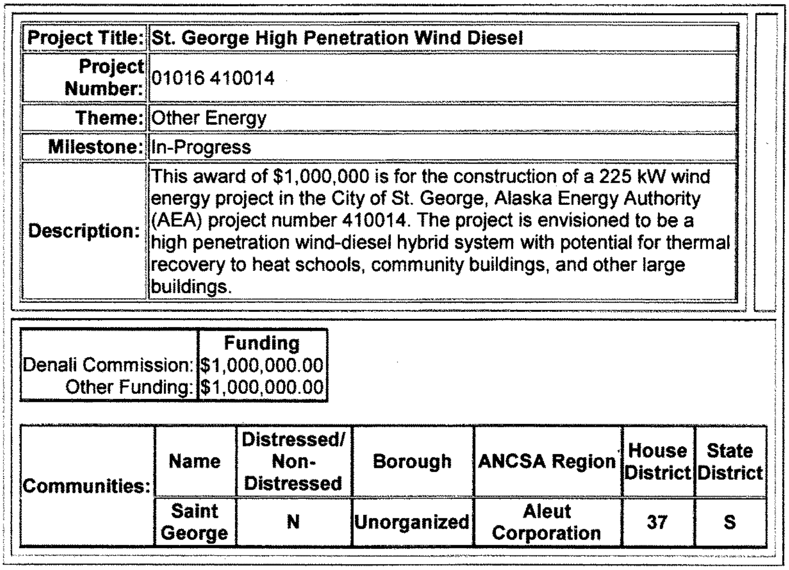
Communities:	**Name**	**Distressed/ Non-Distressed**	**Borough**	**ANCSA Region**	**House District**	**State District**
	Nome	**N**	**Unorganized**	**Bering Straits Native Corp.**	**39**	**T**

Project Title:	**Levelock Clinic Construction, AN07-GJ6**
Project Number:	00397-B AN07-GJ6
Theme:	Primary Care
Milestone:	Construction Complete
Description:	ANTHC has authority to proceed with the construction of the Levelock Clinic project. Construction - $1,257,095 Management Fee - $156,330. Indian Health Services - $176,356 and Bristol Bay Economic Development Corp - $182,000

	Funding
Denali Commission:	$1,413,425.00
Other Funding:	$358,356.00

Communities:	**Name**	**Distressed/ Non-Distressed**	**Borough**	**ANCSA Region**	**House District**	**State District**
	Levelock	**Y**	**Lake & Peninsula Borough**	**Bristol Bay Native Corporation**	**36**	**R**

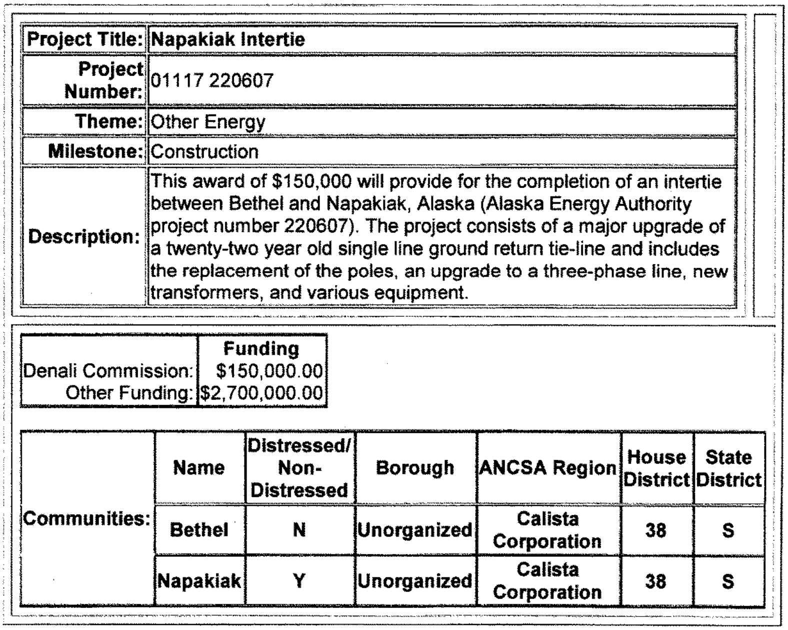
Other Energy Projects



Project Title:	**St. George High Penetration Wind Diesel**
Project Number:	01016 410014
Theme:	Other Energy
Milestone:	In-Progress
Description:	This award of $1,000,000 is for the construction of a 225 kW wind energy project in the City of St. George, Alaska Energy Authority (AEA) project number 410014. The project is envisioned to be a high penetration wind-diesel hybrid system with potential for thermal recovery to heat schools, community buildings, and other large buildings.

	Funding
Denali Commission:	$1,000,000.00
Other Funding:	$1,000,000.00

	Name	**Distressed/ Non-Distressed**	**Borough**	**ANCSA Region**	**House District**	**State District**
Communities:	**Saint George**	**N**	**Unorganized**	**Aleut Corporation**	**37**	**S**



Project Title:	**Napakiak Intertie**
Project Number:	01117 220607
Theme:	Other Energy
Milestone:	Construction
Description:	This award of $150,000 will provide for the completion of an intertie between Bethel and Napakiak, Alaska (Alaska Energy Authority project number 220607). The project consists of a major upgrade of a twenty-two year old single line ground return tie-line and includes the replacement of the poles, an upgrade to a three-phase line, new transformers, and various equipment.

	Funding
Denali Commission:	$150,000.00
Other Funding:	$2,700,000.00

	Name	**Distressed/ Non-Distressed**	**Borough**	**ANCSA Region**	**House District**	**State District**
Communities:	**Bethel**	**N**	**Unorganized**	**Calista Corporation**	**38**	**S**
	Napakiak	**Y**	**Unorganized**	**Calista Corporation**	**38**	**S**

Other Energy Projects Continued

Project Title:	**DOE Energy Efficiency and Conservation Block Grant Match**
Project Number:	01179
Theme:	Other Energy
Milestone:	In-Progress
Description:	This award of $53,510 provides match funding to the U.S. Department of Energys Energy Efficiency and Conservation Block Grant programs Alaska Tribal Allocations through the American Recovery and Reinvestment Act. The match funding represents 10% of eligible applicant allocations in pooled applications. These funds may be used for any approved energy efficiency and/or conservation activities.

	Funding
Denali Commission:	$53,510.00
Other Funding:	$535,100.00

	Name	**Distressed/ Non-Distressed**	**Borough**	**ANCSA Region**	**House District**	**State District**
Communities:	**Bristol Bay Borough**	**?**	**Bristol Bay Borough**	**Bristol Bay Native Corporation**	**37**	**S**

Rural Power System Upgrade Projects

Project Title:	**RPSU**
Project Number:	01044 350278
Theme:	RPSU
Milestone:	Construction
Description:	This award of $1,500,000 is for the Kwethluk rural power system upgrade (RPSU), Alaska Energy Authority project number 350278. The scope of work includes procurement of switch gear, generators, and other long lead time items. Construction of the gravel pad needs to begin immediately for settlement before freeze-up.

	Funding
Denali Commission:	$3,000,000.00
Other Funding:	$100,000.00

	Name	**Distressed/ Non-Distressed**	**Borough**	**ANCSA Region**	**House District**	**State District**
Communities:	**Kwethluk**	**Y**	**Unorganized**	**Calista Corporation**	**38**	**S**

Teacher Housing Projects

Project Title:	**Teacher Housing - Bering Straits School District**
Project Number:	206-06-I
Theme:	Teacher Housing
Milestone:	Project Close-out Complete
Description:	New construction of two teacher housing duplexes at 3,808 square feet total. Project cost is $1,041,469 with an applicant match of $30,000, debt capacity of $90,865, AHFC Teacher, Health Professional, and Public Safety Grant Funds of $460,302.

	Funding
Denali Commission:	$520,593.00
Other Funding:	$520,962.00

	Name	**Distressed/ Non-Distressed**	**Borough**	**ANCSA Region**	**House District**	**State District**
Communities:	**Brevig Mission**	**N**	**Unorganized**	**Bering Straits Native Corp.**	**39**	**T**

Project Title:	**Manokotak Teacher Housing**
Project Number:	01131
Theme:	Teacher Housing
Milestone:	Project Close-out
Description:	Construction of Manokotak Teacher Housing

	Funding
Denali Commission:	$1,489,600.00
Other Funding:	$1,493,400.00

	Name	**Distressed/ Non-Distressed**	**Borough**	**ANCSA Region**	**House District**	**State District**
Communities:	**Manokotak**	**Y**	**Unorganized**	**Bristol Bay Native Corporation**	**37**	**S**

Training Projects

Project Title:	**Denali Training Fund Southeast Alaska Regional Health Consortium**
Project Number:	366-J
Theme:	Training
Milestone:	Project Close-out Complete
Description:	The Southeast Alaska Regional Health Consortium (SEARHC) will train 50 participants from eight southeast communities (Kake, Angoon, Hydaburg, Haines, Klawock, Klukwan, Juneau, and Sitka) in the comprehensive cleaning system called Operating System 1 (OS1). The OSI training is based on standardized janitorial service procedures and tools.

	Funding
Denali Commission:	$25,000.00
Other Funding:	$58,820.00

	Name	**Distressed/ Non-Distressed**	**Borough**	**ANCSA Region**	**House District**	**State District**
Communities:	**Angoon**	**Y**	**Unorganized**	**Sealaska Corporation**	**5**	**C**
	Haines	**Y**	**Haines Borough**	**Sealaska Corporation**	**5**	**C**
	Hydaburg	**Y**	**Unorganized**	**Sealaska Corporation**	**5**	**C**
	Juneau	**N**	**City & Borough of Juneau**	**Sealaska Corporation**	**3,4**	**B**
	Kake	**N**	**Unorganized**	**Sealaska Corporation**	**5**	**C**
	Klawock	**N**	**Unorganized**	**Sealaska Corporation**	**5**	**C**
	Klukwan	**Y**	**Unorganized**	**Sealaska Corporation**	**5**	**C**
	Sitka	**N**	**City & Borough of Sitka**	**Sealaska Corporation**	**2**	**A**

Training Projects Continued

Project Title:	**Youth Initiatives Alaska Works Partnership**
Project Number:	01072-A
Theme:	Training
Milestone:	In-Progress
Description:	Alaska Works Partnership (AWP) will provide five construction training academies for forty-two rural youth ages 18-24. AWP will train these youth participants for basic employability and welder helper skills for entry-level construction jobs, including welders involved in pipeline construction occupations.

	Funding
Denali Commission:	$90,000.00
Other Funding:	$120,000.00

	Name	**Distressed/ Non-Distressed**	**Borough**	**ANCSA Region**	**House District**	**State District**
Communities:	**Bethel**	**N**	**Unorganized**	**Calista Corporation**	**38**	**S**
	Fairbanks	**N**	**Fairbanks North Star Borough**	**Doyon, Limited**	**10,9**	**E**
	Galena	**N**	**Unorganized**	**Doyon, Limited**	**6**	**C**
	King Salmon	**N**	**Bristol Bay Borough**	**Bristol Bay Native Corporation**	**37**	**S**
	Nome	**N**	**Unorganized**	**Bering Straits Native Corp.**	**39**	**T**

Transportation Projects

Project Title:	**Boardwalk Design and Construction**
Project Number:	01036
Theme:	Transportation
Milestone:	Construction
Description:	The project consists of design and construction of improvements to the community boardwalk system and pedestrian trail in Elfin Cove. The project includes improvements and extensions to dilapidated sections of the boardwalk where community buildings are situated. The project will reconstruct dilapidated sections and upgrade the section that extends to the head of the Inner Harbor.

	Funding
Denali Commission:	$45,485.00
Other Funding:	$4,514.00

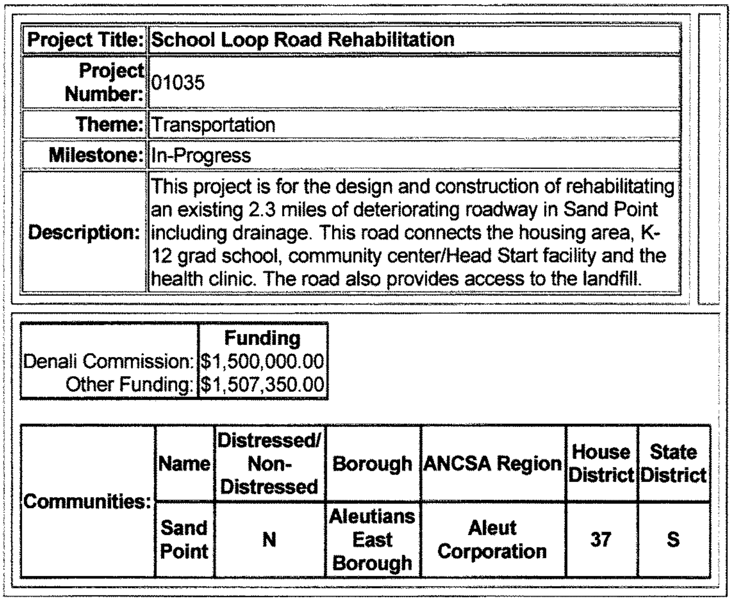
Communities:	**Name**	**Distressed/ Non-Distressed**	**Borough**	**ANCSA Region**	**House District**	**State District**
	Elfin Cove	**Y**	**Unorganized**	**Sealaska Corporation**	**2**	**A**

Project Title:	**East Harbor Reconstruction**
Project Number:	01006
Theme:	Transportation
Milestone:	Construction
Description:	This project will expand the Seward boat harbor to house large commercial fishing and US Coast Guard vessels. Construction includes floats, gangway and approach, utilities and fire suppression system. This large-vessel harbor will improve maneuver safety and overall operations. This facility also extends the life of other harbor areas through reduced wear on smaller floats, piling and gear.

	Funding
Denali Commission:	$1,000,000.00
Other Funding:	$4,500,000.00

Communities:	**Name**	**Distressed/ Non-Distressed**	**Borough**	**ANCSA Region**	**House District**	**State District**
	Seward	**N**	**Kenai Peninsula Borough**	**Chugach Alaska Corporation**	**35**	**R**

Transportation Projects Continued



Project Title:	**School Loop Road Rehabilitation**
Project Number:	01035
Theme:	Transportation
Milestone:	In-Progress
Description:	This project is for the design and construction of rehabilitating an existing 2.3 miles of deteriorating roadway in Sand Point including drainage. This road connects the housing area, K-12 grad school, community center/Head Start facility and the health clinic. The road also provides access to the landfill.

	Funding
Denali Commission:	$1,500,000.00
Other Funding:	$1,507,350.00

	Name	**Distressed/ Non-Distressed**	**Borough**	**ANCSA Region**	**House District**	**State District**
Communities:	**Sand Point**	**N**	**Aleutians East Borough**	**Aleut Corporation**	**37**	**S**

SECTION 4– INFORMATION AND PROGRAM EVALUATION

The Commission will continue to undertake program evaluation efforts in FY 2011, while at the same time developing and implementing new evaluation systems for new or emerging programs.

Since its inception in 1998 the Commission has utilized an evaluation methodology in its two primary programs (energy and health facilities) that is based on a "universe of need" model. For example, in 1999 the Commission, along with stakeholders and program partners undertook an extensive review of primary care clinic facilities in 188 Alaska communities eligible for Commission funding. The Commission has worked aggressively to plan, design, equip and construct or renovate the facilities in the underserved communities. Similarly, the Commission and its partners have developed a needs list for bulk fuel tank farms and rural power system upgrades across Alaska.

In FY 2011 the Commission will continue evaluating program progression and project outputs with the universe of need models for health and energy. Additionally, the Commission will be undertaking an update to both programs. Specifically in the energy program, the Commission will be partnering with the U.S. Coast Guard, which along with the Environmental Protection Agency (EPA) has jurisdiction over the code compliance of rural tank farms. The health facilities program is undergoing a similar evaluation update which will include analysis of the communities that remain on the unmet needs list and further evaluation regarding the benefit that has been provided in the areas of cost reduction, improved access and quality of health care services in rural communities that have received new or renovated primary care clinics with Commission funding.

SECTION 5– ANALYSIS OF RESOURCES

At any given time Denali Commission staff and partners are engaged with several hundred grants and/or projects in various stages of planning, design and construction. Program partners range from sophisticated line agencies to small village-level organizations. The ability to deliver timely, sustainable projects with the right level and type of oversight and guidance, while also being nimble and agile, requires constant attention. Commission leadership emphasizes the paramount importance of public integrity, transparency and accountability. The Commission maintains an aggressive staff training program and uses the latest in grant processing technology through the U.S. Department of Health and Human Services. During 2009 staff received training from the Office of Management & Budget, U.S. Department of Health and Human Services and the Government Accountability Office. To keep staff size at an optimum level, the Commission contracts with other federal "lines of business" at the U.S. Department of the Treasury, Bureau of Public Debt to provide services in the areas of finance, human resources, procurement and travel. In addition, for the advancement of governmental accountability, the Commission relies on a network of federal experts through its Federal Financial Management Advisory Committee, which include members from U.S. Treasury, Office of Management and Budget and the Association of Government Accountants.

Grants Management Electronic Processing and Reporting Systems

The Denali Commission has two electronic web-based systems for Grants Management: GrantSolutions for processing proposed awards and post award amendments and the Commission Project Database for reporting progress on funded awards.

The Commission utilizes GrantSolutions (www.grantsolutions.gov) to manage the electronic processing of every award from start to finish. The award starts with the posting of announcements of funding opportunities, receipt and review of applications, issuance of funded awards, the generation of post award amendments, to the close out of each award.

The GrantSolutions system provides access to award information based on verified identification of the individual, their job function or role within their organization, and their organization's business relationship with the Commission through their official awards or proposed awards. Individual users and the public do not have access to the GrantSolutions database itself but do have access to awards funded by the Commission in the Commission's Project Database System (see also Commission's Project Database - Electronic Grants Management Reporting System).

Travel

GovTrip, the travel system used by the Denali Commission, is an end-to-end online travel service for federal agencies. GovTrip supports the entire government travel process, which includes planning and authorizing travel, making reservations, delivering electronic tickets, calculating and approving reimbursements, and archiving data. GovTrip increases the number of self-service transactions thus reducing travel -management costs.

Human Resources

The realm of human resource (HR) management for the federal workforce is complex and large. From position classification to employee benefits to payroll administration, HR tasks demand a level of training and experience that recognizes the personal impacts these services have on Denali Commission employees every day.

The enabling legislation of the Commission exempts the agency from some parts of federal Title 5, affording the management at the Commission flexibilities in hiring qualified personnel that are uncommon across the federal government. This has allowed the Commission to continue to be agile and flexible, proactively responding to Alaska's needs and new mandates, while still maintaining a lean federal staff.

To ensure the Commission provides the best HR services to our federal staff, we have engaged the U.S. Treasury's Bureau of the Public Debt (BPD) Administrative Resource Center in Parkersburg, West Virginia, to administer the official human resources duties. BPD has an entire branch of highly educated and trained Human Resources professionals who are available to all staff for consultation and assistance.

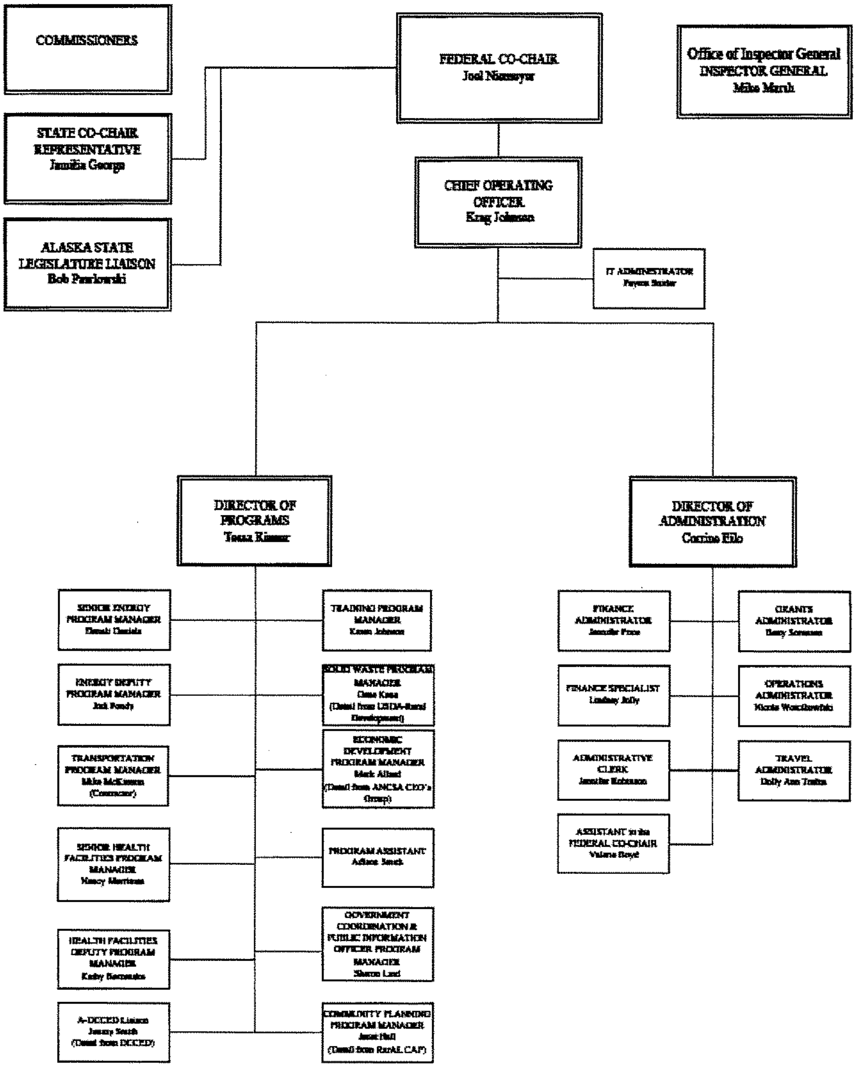
Procurement

When the Denali Commission needs to obtain goods or services required to operate the agency office or programs, we do so under the Federal Acquisition Regulations (the FAR). This set of regulations embodies the philosophy of the federal government to support, to the degree practical, small and disadvantaged businesses when procuring goods and services. Small businesses are the backbone of the American economy, and the FAR recognizes and implements guidance that encourages contracting with those small businesses. Competitive solicitations among responsible contractors results in the best value to the Government, and that has fostered new and mutually beneficial relationships between businesses and the Commission.

The federal government requires that performance-based work statements be written, to maximize the application of the contactor's knowledge and experience in achieving the Government's goals. The Denali Commission has competitively procured goods and services over the past two years which include: program management services, technical assistance services, computer software and hardware, photography services, and graphic design services.

Because the authority to obligate federal funds rests with Contracting Officers, we partner with the U.S. Treasury's Bureau of the Public Debt (BPD) Administrative Resource Center in Parkersburg, West Virginia, which has a procurement branch staffed with highly educated and qualified Contracting professionals.

DENALI COMMISSION ORGANIZATIONAL CHART- January 2010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Office of Inspector General INSPECTOR GENERAL Mike Marsh
STATE CO-CHAIR REPRESENTATIVE Jamilia George
ALASKA STATE LEGISLATURE LIAISON Bob Pawlowski
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SENIOR ENERGY PROGRAM MANAGER Denali Daniels
TRAINING PROGRAM MANAGER Karen Johnson
ENERGY DEPUTY PROGRAM MANAGER Jodi Fondy
SOLID WASTE PROGRAM MANAGER Gene Kane (Detail from USDA-Rural Development)
TRANSPORTATION PROGRAM MANAGER Mike McKinnon (Contractor)
ECONOMIC DEVELOPMENT PROGRAM MANAGER Mark Allred (Detail from ANCSA CEO's Group)
SENIOR HEALTH FACILITIES PROGRAM MANAGER Nancy Merriman
PROGRAM ASSISTANT Adison Smith
HEALTH FACILITIES DEPUTY PROGRAM MANAGER Kathy Berzanske
GOVERNMENT COORDINATION & PUBLIC INFORMATION OFFICER PROGRAM MANAGER Sharon Lind
A-DCCED Liaison January Smith (Detail from DCCED)
COMMUNITY PLANNING PROGRAM MANAGER Jesse Hall (Detail from RurAL CAP)
FINANCE ADMINISTRATOR Jennifer Price
GRANTS ADMINISTRATOR Betty Sorensen
FINANCE SPECIALIST Lindsay Jolly
OPERATIONS ADMINISTRATOR Nicole Wojciechowski
ADMINISTRATIVE CLERK Jennifer Robinson
TRAVEL ADMINISTRATOR Dolly Ann Trafton
ASSISTANT to the FEDERAL CO-CHAIR Valerie Boyd

SECTION 6– AGENCY RESTRUCTURING AND WORK PROCESS

The Denali Commission has developed a number of policies intended to guide federal funds investment in the most efficient, effective and prudent manner possible, while at the same time maximizing the benefit to Alaskan communities and residents in the areas of infrastructure development, economic development and training and workforce development. These policies have been adopted through various methods including: passage via resolution or motion. To-date the Commission has adopted the following policies:

Investment Guidance

The Commission is committed to accelerating the building of sustainable infrastructure in rural Alaska to enhance the health and safety of rural residents and to provide the underpinnings for economic opportunity. Commission investments are directed by federal law, and the Commission's Annual Work Plan. Infrastructure needs of rural Alaska are enormous compared to available funding, thus, it is imperative that each dollar be invested in a way that will maximize the sustainable long term benefits to Alaskans.

Sustainability

For the purposes of Commission funded infrastructure projects, sustainability is defined as the ability of a recipient or applicant to demonstrate the capacity, both administratively and financially, to provide for the long-term operation and maintenance (typically a 30 year life cycle) of a facility. This demonstration may include such factors as maintenance costs, fuel/heating costs, staffing/personnel costs, insurance as applicable, bonding, cost escalation factors, etc. Further, sustainability includes all costs associated with management, operation and maintenance, renewal and replacement necessary to maintain a given level of service.

Community Planning

The Commission recognizes the importance of a community plan in the community development process. The plan demonstrates the community's goals and ability to focus on future initiatives. The Commission requires communities to provide a copy of their current community plan when submitting funding requests. The reason for this request is two-fold: 1) the plan provides a current economic, social, and infrastructure summary of a community and 2) the plan provides a prioritized list of projects for which the community is seeking funding assistance. The plan also explains how the community intends to sustain its existing infrastructure as well as any additional infrastructure. In general, any infrastructure projects identified for funding from the Commission should also appear as a prioritized infrastructure goal, or initiative in the community plan submitted by the applicant community.

Open Door

The Commission requires that any funded infrastructure project be available to all potential users. This requirement may be documented in varying forms in Commission programs (for example, commitment to the open door policy is a component of the clinic business plan process).

Private Enterprise

In general, the Commission will support private enterprise where it is functioning or can function efficiently and adequately to meet the needs of all members of the local community. Where private enterprise is inadequate or non-existent to achieve this purpose, consideration must be given to providing these services through other means. The Commission will not support the replacement of new structures for a publicly funded service to compete with services delivered by private enterprise as long as those services are:

Accessible to all members of a community including temporary members;
Reasonably priced when compared to comparable communities;
Predictably available and sustainable for the long term.

Competitive Bid

Any infrastructure project funded by the Denali Commission with a total project cost (to include the planning, design and construction phases) of $3 million or greater shall be competitively bid. A waiver to this policy may be granted if an applicant demonstrates that it is in the best economic, cultural or social interest of a community or region to not competitively bid a project. The waiver request must document the benefit to the federal government (in the form of cost savings, job creation, etc.) and the community and/or region of not utilizing a competitive bid process. Key considerations for reviewing the waiver request will include cost, local preference, career training, opportunities for local hire, and local economic impact.

Cost Containment

The Denali Commission is committed to both internal and external cost containment for all of its programs. All Commission projects are to be sustainable and that requires examining projects on a life-cycle cost basis in the context of the community's long-term development plan. The tradeoffs between initial costs of construction and long-term operating and maintenance costs must seek to minimize the true life cycle costs of the project. The Commission requires cost effective designs, need specific designs, competitive procurement, effective project management, and maximization of cost benefit via project selection.

Progress Toward the President's Agenda

President Obama announced in 2008 and 2009 an aggressive agenda for improving health care and economic development with a strong focus on science and technology and building a high performing government. The Denali Commission has made significant progress in accomplishing the goals of this administration.

Health Care

Small population centers do not always have access to reliable healthcare facilities; Alaska is no exception. Alaska has some unique challenges not faced by many in the lower 48 communities. Driving to a hub community for healthcare services is simply not an option for many of the people of rural Alaska. There are fewer miles of paved road in Alaska than in any other state.

The Denali Commission remains committed to the President's aggressive agenda for improving healthcare and is accelerating the building of sustainable infrastructure in rural Alaska to enhance the health and safety of rural residents through the continuation of the Health Facilities Program bringing healthcare to our rural communities.

The basic infrastructure needs of rural Alaska are enormous. The Denali Commission focuses on leveraging dollars, coordinating efforts and planning and constructing infrastructure that is lasting and sustainable. The Health Facilities Program at the Commission has a rigorous application progress for primary care clinics. These health facilities enhance access, improve the quality of care and reduce the cost of health care to Alaska residents.

Building a High Performing Government

Since its inception in 1998, the Denali Commission has developed a number of policies intended to guide federal investments in the most efficient, effective and prudent manner possible, while at the same time maximizing the benefit to all Alaskan communities and residents in the areas of infrastructure development, economic development and training and workforce development. The end result through the development and enhancement of these guiding principles over the years is a high performing government agency.

These policies are the guiding principles for all Denali Commission projects and address specific guidelines for the highest performance possible including: investment guidance, sustainability, community planning, public availability, relationships with private enterprise, competitive bid requirements and cost containment considerations. A detailed policy statement addressing each of these areas is always available to the public via our website. These policies over the years have become the cornerstone to the Commission's mission. (Further details on policies can be found in the appendices, Section C).

Ensuring responsible spending of American Recovery and Reinvestment Act funds

The Commission plays a key role in coordinating the myriad of federal, state and tribal programs that affect rural Alaska. Through senior leadership forums, workgroups and advisory committees, we work effectively to leverage dollars, produce meaningful outcomes, and deliver innovative and sustainable projects. As a convener and coordinator, in 2009 we established the Alaska Clearinghouse to inform the public on the opportunities within the American Recovery and Reinvestment Act for Alaskans. This effort has won praise from all sectors and helped Alaskans secure funding for deserving projects which promote economic recovery.

Progress Toward the President's Agenda Continued

In addition to informing and educating other agencies on ARRA funds, the Denali Commission also partook in an Interagency Agreement with the National Telecommunications and Informaion Administration (NTIA) to work toward broadband mapping and planning for the state of Alaska. The Denali Commission will adhere to the guidelines set forth in this agreement to produce the best product possible for the state.

Economic Growth, Science and Technology

The Denali Commission moves quickly to tackle systemic issues of rural development by listening to rural Alaskan's concerns and working with the state of Alaska, local communities and tribes to build basic community infrastructure and sustain rural economies. Training local communities to be self sustaining is a primary goal. By investing in training opportunities that focus on economic development by creating jobs and scientific research to build energy efficient technologies that correlate with rural Alaskan ways of life, the Commission is able to serve the state and carry out its mission.

Housing for Professionals in Rural Alaska

Frontier Alaska is populated with resourceful people. Community members take on many jobs and learn new skills and jobs to help keep their villages operating and providing basic safety, public health, and educational services. But for some critical positions, trained professionals must be brought in. Public safety officers (including State Troopers and Village Public Safety Officers), health providers and teachers are key personnel for basic community infrastructure. In order to attract and retain these professionals, communities must be able to offer safe, comfortable, affordable housing with running water. Although that sounds simplistic, the reality is that rural Alaska communities across the state – with populations of 40 to 800 – have housing shortages. And only approximately five percent of the housing stock is available for rent.

The need can be stated simply: Frontier Alaska communities need adequate, safe, comfortable housing so that they can recruit and retain critical professionals to provide basic services that support residents' safety, individual and public health, and education.

The Denali Commission is poised and ready to assist in filling this need for housing for professsionals. For the past five years, the agency has had success in partnering with State agencies and other funders to leverage money to construct or renovate more than 300 housing units for teachers and elders. Utilizing funds strategically to fill gaps, funders have been able to invest as little as 15 percent of the total cost of a project and deliver good quality new housing. Communities have reported that recruitment of teachers has improved significantly, and many teachers have signed contract extensions – providing consistency that is a true benefit to village students.

Progress Toward the President's Agenda Continued

Managing Across Sectors

The Denali Commission is charged with the special role of increasing government effectiveness. The Commission does so by acting as a catalyst and strategic partner for many federal and state programs in Alaska. The Commission joined others in a Memorandum of Understanding (MOU) that outlines the roles of agencies in coordinating resources and efforts in areas such as community planning, sustainability, data sharing and coordination of pre-construction activities. This MOU served as the basis for creating several multi-agency workgroups and cooperative projects that have increased overall government effectiveness. The MOU was amended in 2003 with increased participation from both state and federal partners and renewed once again in 2008. This renewed effort focuses efforts on improving the channels of communications amongst the heads of all federal and state agencies with an emphasis on critical issues that affect the entire state of Alaska: the high cost of energy, outmigration, and coordination of efforts among all government agencies.

Government Coordination has become a mainstay of the efforts the Denali Commission has undertaken in improving communities in rural Alaska. Strengthening the partnerships between our state and federal agencies for rural Alaska will have a much greater focus in 2010.

Transforming the federal workplace

All programs at the Denali Commission focus on the Commission's place-based core strategies. The originating legislation of the Denali Commission states that the Denali Commission will: 1) deliver the services of the federal government in the most cost-effective manner practicable by reducing administrative and overhead costs, 2) provide job training and other economic development services in rural communities, particularly distressed communities (many of which have a rate of unemployment that exceeds 50%) and 3) promote rural development and provide power generation and transmission facilities, bulk fuel storage tanks and other infrastructure needs.

The Commission has funded over 1,900 projects with program areas including energy, health care facilities, transportation, training, economic development, community multi-use facilities, teacher housing, public broadcasting, and government coordination. There is an urgent need to continue providing this basic infrastructure for the state of Alaska.

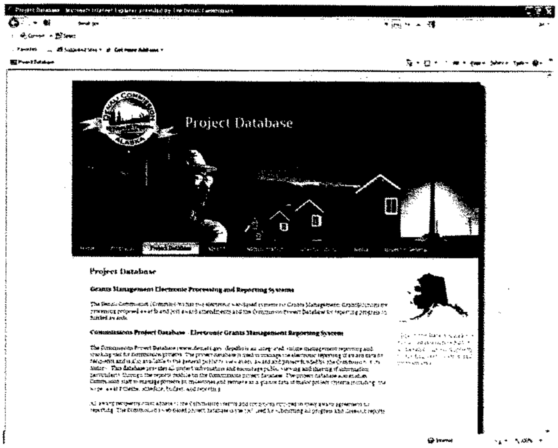
In addition to our numerous program accomplishments, the Commission has also worked very hard to improve and enhance our program delivery in house. On October 1, 2009 the Commission implemented the **Financial Line of Business** through the **U.S. Treasury, Bureau of Public Debt**. This significant change has already enhanced controls over financial reporting and provided **Federal Managers' Financial Integrity Act** compliance. Also the Commission, in accordance with the **National Institute of Standards and Technology (NIST)** under the **Federal Information Security Management Act (FISMA)** of 2002, has completed all requirements for 2009 security certification and accreditation of information systems supporting the agency's mission. Implementation of these types of important procedures enhances the Commission's program delivery and strengthens Commission grants management practices.

SECTION 7– ENSURING INFORMATION IS PUBLICALLY AVAILABLE

The Denali Commission's on-line project database (www.denali.gov/dcpdb) continues to be a transparent tool through which we communicate performance to our constituents. Displaying information on every project the Commission has ever funded, this database displays funded amounts, expended amounts, narrative progress reports and photos of projects. In the end, the effectiveness of the Commission is measured in the number of lives that are improved as a result of the taxpayers' investment in a particular program.

Commission results can also be found in our Performance Accountability Report (PAR). For two years the Commission has participated in the Certified of Excellence in Accountability Reporting (CEAR) program of the Association of Government Accountants (AGA), which allows individuals with high levels of federal financial and performance expertise to examine our PAR report with objectivity. Voluntarily submitting our PAR to this scrutiny has produced results that have been used to strengthen our report significantly.

The Commission also stepped forward as one of the agencies to enroll in the PAR Pilot program sponsored by the Office of Management and Budget. Our experience as a small agency contributes to enhancing the PAR program. The PAR represents the most comprehensive account of Commission results; however, the report format can be technical and bureaucratic in nature. Enhancing that report, the Commission has also produced the Association of Government Accountants "Citizens-Centric Report". This report provides an overview of the Commission in a meaningful, reader friendly format highlighting the financial condition and performance of the agency to its constituents.



Project Database

Grants Management Electronic Processing and Reporting Systems

Commissions Project Database - Electronic Grants Management Reporting System

Denali Commission
Annual Performance Report
(APR)
Fiscal Year 2009

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Anchorage, AK 99501
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Toll Free - 1-888-480-4321

www.denali.gov

Other Accompanying Information

Appendix A: Partners in Government Coordination

Commissioner Partnerships

Alaska Federation of Natives, Julie Kitka
Alaska Municipal League, Kathie Wasserman
American Federation of Labor and Congress of Industrial Organizations, Vince Beltrami
Associated General Contractors of Alaska, John MacKinnon
Office of the Governor, Office of Management and Budget, Karen Rehfeld
University of Alaska, Karen Perdue

Federal Partnerships

Office of the Federal Coordinator, Alaska Natural Gas Transportation Projects

U.S. Army Corps of Engineers

U.S. Department of Agriculture:
  Rural Development, Alaska Office;
  Forest Service, Region 10;
  Farm Service Agency;
  Natural Resources Conservation Service

U.S. Department of Commerce:
  Economic Development Administration, Western Region;
  National Oceanic and Atmospheric Administration;
  U.S. Commercial Service, Alaska Export Assistance Center

U.S. Department of Defense, Alaska Division (ALCOM)

U.S. Department of Health and Human Services: Indian Health Service, Alaska Region

U.S. Department of Homeland Security: Coast Guard, Alaska Region

U.S. Department of Housing and Urban Development

U.S. Department of Interior:
  Office of the Secretary
  Bureau of Indian Affairs, Alaska Office;
  Bureau of Land Management; National Park Service; Fish and Wildlife Service;
  U.S Geological Survey and Minerals Management Service

U.S. Environmental Protection Agency, Alaska Operations Office

U.S. Social Security Administration

U.S. Department of Transportation:
  Federal Aviation Administration;
  Federal Highway Administration;
  Federal Highway Administration Western Federal Lands Highway Division

U.S. Department of Treasury: Internal Revenue Service

Partners in Government Coordination Continued

State Partnerships

Department of Administration

Department of Commerce, Community and Economic Development
    Alaska Energy Authority

Department of Corrections

Department of Education and Early Development

Department of Environmental Conservation

Department of Fish & Game

Department of Health and Social Services

Department of Labor and Workforce Development

Department of Law

Department of Military and Veterans Affairs

Department of Natural Resources

Department of Public Safety

Department of Revenue
    Alaska Housing Finance Corporation
    Alaska Mental Health Trust Authority

Department of Transportation and Public Facilities

Other Partnerships

Alaska Growth Capital

Alaska Native Tribal Health Consortium

Alaska Public Broadcasting, INC.

Alaska Regional For-Profit Corporations

Alaska Regional Health Boards

Alaska Regional Housing Authorities

Alaska Regional Nonprofit Corporations

Alaska Village Electric Cooperative

Alaska Village Initiatives

Partners in Government Coordination Continued

Association Village Council Presidents

Cape Fox Heritage Foundation

Community Development Quota Groups (CDQ)*

- Aleutian Pribilof Island Community Development Association (6 communities)
- Bristol Bay Economic Development Corporation (17 communities)
- Central Bering Sea Fishmen's Association (One community)
- Coastal Villages Region Fund (20 communities)
- Norton Sound Economic Development Corporation (15 communities)
- Yukon Delta Fisheries Development Association (6 communities)

First Alaskans Institute

Murdock Charitable Trust

National Association of Development Organizations
National Rural Health Association

Paul G. Allen Foundation

Philanthropy Northwest

Rasmuson Foundation

Rural Alaska Community Action Program, INC.

Southwest Alaska Municipal Conference -Economic Development

Yukon Kuskowim Health Corporation

**The Community Development Quota Program began in December of 1992 with the goal of promoting fisheries related economic development in western Alaska. The program is a federal fisheries program that involves eligible communities who have fomed six regional organizations, referred to as CDQ groups. There are 65 communities within a fifty-mile radius of the Bering Sea coastline who participate in the program.*

Other Accompanying Information

Appendix B: Commonly Used Terms in Alaska

ANCSA The Alaska Native Claims Settlement Act passed in 1971 and was the largest land claims settlement in U.S. history, transferring land title to Alaska Native Corporations.

ATV All terrain vehicle or four-wheeler, a common form of transportation in rural Alaska.

Break Up The spring melting season when rivers thaw and begin to flow again, carrying huge chunks of ice down river.

Bulk Fuel Storage Facility Facilities used to store 6-to-13 months supply of diesel fuel required to meet the power generation and home heating needs for rural Alaska communities.

The Bush Rural Alaska communities, typically not on the road system.

Bush Pilot Pilots of aircraft who provide transportation to bush communities and isolated destinations.

Four Wheeler An all-terrain vehicle used as a primary mode of transportation in rural Alaska.

Honey Bucket A bucket used as a toilet in homes without sewer or running water. Buckets are emptied manually.

The Last Frontier Because of its rugged splendor, Alaska is commonly referred to as The Last Frontier.

Lower 48 Alaskans refer to the contiguous 48 states as the Lower 48.

Multi-Use Facility A facility to consolidate essential community services such as health clinics, fire departments, washeterias, and jails.

Northern Lights Magnetic particles from the sun hitting the earth's atmosphere which are visible for more than half the year. Also called Aurora Borealis.

Permafrost Ground that is permanently frozen year round in Arctic regions.

Snowmachine A small vehicle with ski-like runners in front and tank-like treads, ridden by straddling a seat and used for driving in or traveling on snow. Also called a snowmobile.

Subsistence The hunting, fishing, and gathering activities which traditionally constitute the economic base of life for rural Alaska.

Termination Dust The first snowfall on the mountains signaling the end of the summer season.

Tundra An area where tree growth is hindered by permafrost, low temperatures and short growing seasons. Typically the surface is boggy due to a high water table.

Washeteria A small, public facility serving as the local watering point where people can obtain treated drinking water. Washeterias are also locations for laundry, showers and flushable toilets.

Other Accompanying Information

Appendix C: Denali Commission Policies

Since its inception in 1998 the Denali Commission (Commission) has developed a number of policies intended to guide federal funds investment in the most efficient, effective and prudent manner possible, while at the same time maximizing the benefit to Alaskan communities and residents in the areas of infrastructure development, economic development and training and workforce development. These policies have been adopted through various methods including: passage via resolution or motion. To-date the Commission has adopted the following policies, which appear in more detailed form below:

☐ Investment Guidance
☐ Sustainability
☐ Community Planning
☐ Open Door
☐ Private Enterprise
☐ Competitive Bid
☐ Cost Containment

INVESTMENT GUIDANCE The Denali Commission (Commission) is committed to accelerating the building of sustainable infrastructure in rural Alaska to enhance the health and safety of rural residents and to provide the underpinnings for economic opportunity. Commission investments are directed by federal law, by the Commission's Annual Work Plan. Infrastructure needs of rural Alaska are enormous compared to available funding, thus, it is imperative that each dollar be invested in a way that will maximize the sustainable long term benefits to Alaskans.

Factors which will influence investment decisions:
Imminent environmental threats
Facilities will be placed so as to be protected from imminent environmental threats such as flooding and erosion. Long term investments generally will not be made in areas that are subject to imminent environmental threats.

Priority to be placed on needs of existing communities
The Commission will give priority to the critical infrastructure needs of existing communities before considering proposals to create new communities unless there is relocation of an existing community.

Regional support
The Commission recognizes that borough, tribal and local government involvement increases the probability that basic infrastructure and services provided with Denali Commission funds will be sustained over the long term. The Commission also recognizes that other regional organizations share both responsibility and capacity to contribute to sustainability. Consistency with regionally approved plans is a factor lending strength to investing in a particular project. The Commission shall give priority consideration to projects that have regional support and demonstrate regional planning and coordination. In general, the Commission will require regional planning documentation before providing funding for projects. Consideration will be given to the unique geographic boundaries, regional organizations and project requirements. The Commission may prioritize regional and/or multi-community projects.

Proximity/access to existing services and/or facilities
In determining the need for a new facility, a careful evaluation of existing access to services or facilities will be performed. Where the needs of two or more communities in close proximity to one another can be adequately and more cost effectively served by a single facility, that option will be selected over separate facilities for each community. Investments will be made where critical unmet needs are demonstrated. In general, the Commission will not fund projects for like facilities in communities within a twenty mile distance of one another, and accessible by year-round road service.

Renovation versus new construction
Where existing facilities can be renovated or expanded to adequately meet community needs at significantly lower life-cycle costs than new construction, that option will be favored.

Population trends
Infrastructure will be sized to meet needs that can reasonably be projected over the design life of the project. If population is increasing, appropriate excess capacity will be provided to accommodate growth. Decreasing population may result in a smaller facility then the current population would dictate. The Commission will require additional documentation of community and project sustainability in communities that have any of the following characteristics: populations less than 100 year round residents, significant (20% or greater) population fluctuations (either decrease or increase), and projected or actual closure of State of Alaska school facilities.

Affordability
The Commission will evaluate proponents' capacities to afford the life-cycle costs associated with sustaining proposed services and/or facilities, either through user fees, industry support, government transfer payments or grants from private entities.

Unit cost
Unit cost of construction varies widely across the state for a number of reasons including the technology employed and/or designs utilized. High unit cost tends to work counter to project sustainability. Some of the variables impacting unit cost (project location, soil conditions, etc.) are not controllable, but many others are. The Commission will make every reasonable effort to control unit cost to ensure that the most appropriate technology and designs are applied. However, in cases where the Commission deems unit costs too high, the Commission reserves the right to pursue alternative construction and design methodology, including, but not limited to, all of the following: re-design, value engineering, alternative size, relocating or sitting and revision of the construction budget.

Good faith The long term sustainability of Commission investments is highly dependent on the good faith of the recipients of those investments. In evaluating potential investments the Commission will give priority to advocates who have historically demonstrated good faith in making and keeping financial commitments. Previous demonstrations of bad faith, particularly with previous state or federal investments or failure to pay taxes, may preclude additional investments.

Match Funding
The Commission will give priority to projects that have cost share match from the following sources: the State of Alaska, other federal government agencies and other (to include local, tribal, corporate, philan-

thropic, etc.) in addition to Commission funding for a project. Local sources of match may include, but are not limited to, the following: land valuation, equipment, right of way, etc. In some cases, the Commission shall require a cost share match contribution from one or all of the sources listed above prior to approving funding. This requirement does not apply to the statutory cost share match identified for the health facilities program. Projects which provide a variety of match funding from multiple sources shall be viewed more favorably than those that do not.

Implementation

The Commission will consider all available information regarding each of the factors identified above and any other relevant information in making investment decisions. In cases where sustainability of an investment is questionable, the Commission, either directly or through its Partners, will work with project proponents to attempt to find workable solutions. It will be incumbent on requestors to provide pertinent information that is not otherwise available and to actively engage in the effort to develop workable solutions. Solutions may involve smaller scale or mobile facilities and may include multi-community or regional management approaches. If no workable sustainable solution is apparent, the Commission or its Partners may suggest alternative means to access critical services.

SUSTAINABILITY POLICY For the purposes of Denali Commission funded infrastructure projects, sustainability is defined as the ability of a recipient or applicant to demonstrate the capacity, both administratively and financially, to provide for the long-term operation and maintenance (typically a 30 year life cycle) of a facility. This demonstration may include such factors as maintenance costs, fuel/heating costs, staffing/personnel costs, insurance as applicable, bonding, cost escalation factors, etc. Further, sustainability includes all costs associated with management, operation and maintenance, renewal and replacement necessary to maintain a given level of service.

The Sustainability Policy indicates that because the Commission, through its enabling legislation, is charged with ensuring that all infrastructure projects demonstrate sustainability prior to Commission funding projects must provide documentation of their ability to meet the definition above. In most Commission programs this is achieved through the business plan process. However, applicants may also be asked to revise business plans, or application documents as their projects progress through the different phases of project development.

The Commission recognizes that the high cost of infrastructure makes it infeasible for the total costs of all services in all communities to be borne by local users; however, to the extent feasible, user rates should include all costs necessary to achieve sustainability.

All practical steps should be taken, including simplification of projects, standardization of infrastructure, combining of facilities, regionalization of management structures, bulk purchases of fuels, training and development of management personnel and other actions that reduce the cost of sustainable infrastructure.

To the greatest extent possible the Commission will encourage and advocate for other project funders and program partners to participate in the earliest phases of project development and the application process.

The Commission recognizes the importance of the business planning process, however, also understands that the business plan presents a "snapshot" of a project and a community at a particular point in time. To that end, the Commission shall require documentation related to sustainability over the course of a project's various phases (planning, design, and construction), and shall reserve the ability to alter project funding and design and construction specifications pursuant to documentation review.

The Commission will use as many existing community planning and sustainability indicators as possible in project selection including, but not limited to, the following: Rural Utility Business Advisor (RUBA) documentation and analysis, regional and local community planning documents, and infrastructure prioritization lists.

COMMUNITY PLANNING POLICY The Commission recognizes the importance of a community plan in the community development process. The plan demonstrates the community's goals and ability to focus on future initiatives.

The plan should be the community's starting point for any outside agency or business considering work in a community. Title 29 of the Alaska Statutes states that boroughs and first class cities established under state law shall be responsible for land use planning. In communities outside organized boroughs (and not first class cities), the task for identifying who is responsible for community planning falls to local leadership including recognized tribes in a community.

The Commission requires communities to provide a copy of their current community plan when submitting funding requests. The reason for this request is two-fold: 1) the plan provides a current economic, social, and infrastructure summary of a community and 2) the plan provides a prioritized list of projects for which the community is seeking funding assistance. The plan also explains how the community intends to sustain its existing infrastructure as well as any additional infrastructure. In general, any infrastructure projects identified for funding from the Commission should also appear as a prioritized infrastructure goal, or initiative in the community plan submitted by the applicant community.

Community plans submitted to the Commission are retained in the project file, and are also provided to the State of Alaska, Department of Commerce, Community and Economic Development to be added to the online database of community plans.

The Commission recognizes that successful project development is directly correlated to community planning. The Commission will make every effort to evaluate the benefits and potential costs of project investments against other community projects and initiatives, so that a holistic picture of community capacity and project development is utilized to make funding determinations. The Commission will rely largely on application and community planning detail to document this analysis, but may also utilize site visits and other sources of information.

OPEN DOOR POLICY The Commission requires that any funded infrastructure project be available to all potential users. This requirement may be documented in varying forms in Commission programs (for example, commitment to the open door policy is a component of the clinic business plan process).

PRIVATE ENTERPRISE POLICY In general, the Commission will support private enterprise where it is functioning or can function efficiently and adequately to meet the needs of all members of the local community. Where private enterprise is inadequate or non-existent to achieve this purpose, consideration must be given to providing these services through other means. The Commission will not support the replacement of new structures for a publicly funded service to compete with services delivered by private enterprise as long as those services are:

Accessible to all members of a community including temporary members;
Reasonably priced when compared to comparable communities;
Predictably available and sustainable for the long term.

All proposals for new or upgraded infrastructure facilities to be funded with Denali Commission funds shall be evaluated on the basis of public benefits resulting from the project. A proposal for funding may be approved where the facility is or will be owned, operated, and/or maintained by private entities only if there is found to be a direct and substantial public benefit from the project.

Facilities funded in whole or in part by the Denali Commission may not be sold, leased, sub-leased, or interest otherwise assigned without the express approval of the Denali Commission or its successor agency. In any event, the facility shall continue to provide the originally intended public benefit until such time as that public need no longer exists or until the serviceable life of the facility has expired.

Funding decisions must take into account existing private enterprise in the community. Funding should not generally be used to create new or additional competition with existing private enterprise in the community. However in cases where an unregulated monopolistic or other wise inefficient condition exist in which current services are not available at fair and reasonable rates the Commission, after appropriate consultation, may consider funding projects that would contribute to more competitive rates.

Provisions Specific to Health Care: The Commission seeks to support health care facilities in a manner which improves access to quality, affordable health services, be it by a private entity or a publicly funded one. The Denali Commission does not seek to create or enhance competition in an inefficient market. In this scenario, an inefficient market is one that cannot support two mutually exclusive health care providers. Given the economic fragility of rural health care systems, Denali Commission funding for health care facilities will be deployed in a manner which encourages a cooperative and collaborative arrangement for the health benefit of the community in question, and improves the sustainability of the overall care delivery system for that population. Denali Commission health facility funding supports systems that ensure access to care for everyone regardless of ability to pay. It is expected that a system that is exclusively private in rural Alaska will not be able to meet that criteria. Thus, some integration of public and private provider entities will likely be required in areas where any private provider system currently exists.

Provisions Specific to Bulk Fuel Storage: The development of any bulk fuel storage consolidation project funded in whole or in part by Denali Commission funds will consult with all retail fuel suppliers within a community in the course of developing the project's conceptual design to ensure that their interests are understood and, to the extent feasible, dealt with in the course of conceptual design.

The existing market share balance among retail fuel suppliers within a community may be significantly altered as a result of a Denali Commission funding only if all of the affected retail fuel suppliers currently operating in the community agree to it or if such alteration is deemed necessary to facilitate competitive conditions in the community. For each type of fuel, the existing market share for a retail fuel supplier is defined as the supplier's existing in-service storage capacity as a percentage of the total gallons of existing in-service storage capacity for all retail fuel suppliers in the community.

Where multiple retail fuel suppliers are involved in a project, comparable levels of investment in project costs (based on market share) will be sought from each participating retail fuel supplier in the community, whether public or private.

Denali Commission funds may be used to upgrade or replace fuel storage facilities owned by private sector retail fuel suppliers if there is determined to be significant public benefit. However, to ensure that long term project benefits flow through to the public, such new or improved fuel storage and dispensing facilities will generally be owned by a local government entity which may lease the facilities to the private sector fuel supplier at a nominal cost or contract with the private sector fuel supplier for facility operation. The term of such lease or contract will be for the life of the assets, and is not transferable as an asset of the leaseholder without express written approval of the Denali Commission or its successor agency.

COMPETITIVE BID POLICY Any infrastructure project funded by the Denali Commission with a total project cost (to include the planning, design and construction phases) of $3 million or greater shall be competitively bid. A waiver to this policy may be granted if an applicant demonstrates that it is in the best economic, cultural or social interest of a community or region to not competitively bid a project. The waiver request must document the benefit to the federal government (in the form of cost savings, job creation, etc.) and the community and/or region of not utilizing a competitive bid process. Key considerations for reviewing the waiver request will include cost, local preference, career training, opportunities for local hire, and local economic impact.

In general, and to the greatest extent possible the Commission shall encourage the use of community and regional hire for construction projects.

COST CONTAINMENT POLICY The Denali Commission is committed to both internal and external cost containment for all of its programs. All Commission projects are to be sustainable and that requires examining projects on a life-cycle cost basis in the context of the community's long-term development plan. The trade-offs between initial costs of construction and long-term operating and maintenance costs must seek to minimize the true life cycle costs of the project.

The Commission requires cost effective designs, need specific designs, competitive procurement, effective project management, and maximization of cost benefit via project selection.

The Commission shall evaluate all infrastructure facilities (excluding transportation) against the benchmarks which are produced under contract on an annual basis. Commission program partners shall be required to produce cost estimate detail and project budgets in accordance with the annual benchmarks, and shall be required to justify any budget requests that are not in keeping with the benchmark figures.

POLICY APPEALS PROCESS Appeals to any of these policies should be sent to the Denali Commission Federal Co-Chair, and the State Co-Chair, in writing.

Other Accompanying Information

Appendix D: Denali Commission Act of 1998

Denali Commission Act of 1998.
PL 105-277 42 USC 3121.

TITLE III--DENALI COMMISSION

SEC. 301. SHORT TITLE.

This title may be cited as the ``Denali Commission Act of 1998''.

SEC. 302. PURPOSES.

The purposes of this title are as follows:

(1) To deliver the services of the Federal Government in the most cost-effective manner practicable by reducing administrative and overhead costs.

(2) To provide job training and other economic development services in rural communities particularly distressed communities (many of which have a rate of unemployment that exceeds 50 percent).

(3) To promote rural development, provide power generation and transmission facilities, modern communication systems, water and sewer systems and other infrastructure needs.

SEC. 303. ESTABLISHMENT OF COMMISSION.

(a) Establishment.--There is established a commission to be known as the Denali Commission (referred to in this title as the ``Commission'').

(b) Membership.—

(1) Composition.--The Commission shall be composed of 7 members, who shall be appointed by the Secretary of Commerce (referred to in this title as the ``Secretary''), of whom—

> (A) one shall be the Governor of the State of Alaska, or an individual selected from nominations submitted by the Governor, who shall serve as the State Co-chairperson;
>
> (B) one shall be the President of the University of Alaska, or an individual selected from nominations submitted by the President of the University of Alaska;
>
> (C) one shall be the President of the Alaska Municipal League or an individual selected from nominations submitted by the President of the Alaska Municipal League;
>
> (D) one shall be the President of the Alaska Federation of Natives or an individual selected from nominations submitted by the President of the Alaska Federation of Natives;
>
> (E) one shall be the Executive President of the Alaska State AFL-CIO or an individual selected from nominations submitted by the Executive President;
>
> (F) one shall be the President of the Associated General Contractors of Alaska or an individual selected from nominations submitted by the President of the Associated General Contractors of Alaska; and

(G) one shall be the Federal Co-chairperson, who shall be selected in accordance with the requirements of paragraph (2).

(2) Federal Co-chairperson.—

(A) In general.--The President *pro temporare* of the Senate and the Speaker of the House of Representatives shall each submit a list of nominations for the position of the Federal Co-chairperson under paragraph (1)(G), including pertinent biographical information, to the Secretary.

(B) Appointment.--The Secretary shall appoint the Federal Co-chairperson from among the list of nominations submitted under subparagraph (A). The Federal Co-chairperson shall serve as an employee of the Department of Commerce, and may be removed by the Secretary for cause.

(C) Federal Co-chairperson vote.--The Federal Co-chairperson appointed under this paragraph shall break any tie in the voting of the Commission.

(4) Date.--The appointments of the members of the Commission shall be made no later than January 1, 1999.

(c) Period of Appointment; Vacancies.—The Federal Co-Chairperson shall serve for a term of four years and may be reappointed. All other members shall be appointed for the life of the Commission. Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as the original appointment.[2]

(d) Meetings.—

(1) In general.--The Commission shall meet at the call of the Federal Co-chairperson not less frequently than 2 times each year, and may, as appropriate, conduct business by telephone or other electronic means.

(2) Notification.--Not later than 2 weeks before calling a meeting under this subsection, the Federal Co-chairperson shall—

(A) notify each member of the Commission of the time, date and location of that meeting; and

(B) provide each member of the Commission with a written agenda for the meeting including any proposals for discussion and consideration, and any appropriate background materials.

(e) Quorum.--A majority of the members of the Commission shall constitute a quorum, but a lesser number of members may hold hearings.

SEC. 304. DUTIES OF THE COMMISSION.

(a) Work Plan.—

(1) In general.--Not later than 1 year after the date of enactment of this Act and annually thereafter, the Commission shall develop a proposed work plan for Alaska that meets the requirements of paragraph (2) and submit that plan to the Federal Co-chairperson for review in accordance with the requirements of subsection (b).

(2) Work plan.--In developing the work plan, the Commission shall—

(A) solicit project proposals from local governments and other entities and organizations; and

(B) provide for a comprehensive work plan for rural and infrastructure development and necessary job training in the area covered under the work plan.

(3) Report.--Upon completion of a work plan under this subsection, the Commission shall prepare, and submit to the Secretary, the Federal Co-chairperson, and the Director of the Office of Management and Budget, a report that outlines the work plan and contains recommendations for funding priorities.

(b) Review by Federal Co-chairperson.—

(1) In general.-- Upon receiving a work plan under this section, the Secretary, acting through the Federal Co-chairperson, shall publish the work plan in the Federal Register, with notice and an opportunity for public comment. The period for public review and comment shall be the 30-day period beginning on the date of publication of that notice.

(2) Criteria for review.--In conducting a review under paragraph (1), the Secretary, acting through the Federal Co-chairperson, shall—

(A) take into consideration the information, views, and comments received from interested parties through the public review and comment process specified in paragraph (1); and

(B) consult with appropriate Federal officials in Alaska including but not limited to Bureau of Indian Affairs, Economic Development Administration, and Rural Development Administration.

(3) Approval.--Not later than 30 days after the end of the period specified in paragraph (1), the Secretary acting through the Federal Co-chairperson, shall—

(A) approve, disapprove, or partially approve the work plan that is the subject of the review; and

(B) issue to the Commission a notice of the approval, disapproval, or partial approval that—

(i) specifies the reasons for disapproving any portion of the work plan; and

(ii) if applicable, includes recommendations for revisions to the work plan to make the plan subject to approval.

(4) Review of disapproval or partial approval.--If the Secretary, acting through the Federal Co-chairperson, disapproves or partially approves a work plan, the Federal Co-chairperson shall submit that work plan to the Commission for review and revision.

SEC. 305. POWERS OF THE COMMISSION.

(a) Information From Federal Agencies.--The Commission may secure directly from any Federal department or agency such information as it considers necessary to carry out the provisions of this Act. Upon request of the Federal Co-chairperson of the Commission, the head of such department or agency shall furnish such information to the Commission. Agencies must provide the Commission with the requested information in a timely manner. Agencies are not required to provide the Commission any information that is exempt from disclosure by the Freedom of Information Act. Agencies may, upon request by the Commission, make services and personnel available to the Commission to carry out the duties of the Commission. To the maximum extent practicable, the Commission shall contract for completion of necessary work utilizing local firms and labor to minimize costs.

(b) Postal Services.--The Commission may use the United States mails in the same manner and under the same conditions as other departments and agencies of the Federal Government.

(c) Gifts.--The Commission may accept, use, and dispose of gifts or donations of services or property.

"(d) The Commission, acting through the Federal Co-Chairperson, is authorized to enter into contracts and cooperative agreements, award grants, and make payments necessary to carry out the purposed of the Commission. With respect to funds appropriated to the Commission for fiscal year 1999, the Commission, acting through the Federal Co-chairperson, is authorized to enter into contracts and cooperative agreements, award grants, and make payments to implement an interim work plan for fiscal year 1999 approved by the Commission."

SEC. 306. COMMISSION PERSONNEL MATTERS.

(a) Compensation of Members.--Each member of the Commission who is not an officer or employee of the Federal Government shall be compensated at a rate equal to the daily equivalent of the annual rate of basic pay prescribed for level IV of the Executive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) during the time such member is engaged in the performance of the duties of the Commission. The Federal Co-Chairperson shall be compensated at the annual rate prescribed for a level IV of the Executive Schedule under section 5315, of title 5, United States Code. All members of the Commission who are officers or employees of the United States shall serve without compensation that is in addition to that received for their services as officers or employees of the United States.

(b) Travel Expenses.--The members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their homes or regular places of business in the performance of services for the Commission.

(c) Staff.—

(1) In general.--The Federal Co-chairperson of the Commission may, without regard to the civil service laws and regulations, appoint such personnel as may be necessary to enable the Commission to perform its duties.

(2) Compensation.--The Federal Co-chairperson of the Commission may fix the compensation of personnel without regard to the provisions of chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification of positions and General Schedule pay rates.

(d) Detail of Government Employees.--Any Federal Government employee may be detailed to the Commission without reimbursement, and such detail shall be without interruption or loss of civil service status or privilege.

(e) Procurement of Temporary and Intermittent Services.--The Federal Co-chairperson of the Commission may procure temporary and intermittent services under section 3109(b) of title 5, United States Code, at rates for individuals which do not exceed the daily equivalent of the annual rate of basic pay prescribed for level V of the Executive Schedule under section 5316 of such title.

(f) Offices.--The principal office of the Commission shall be located in Alaska, at a location that the Commission shall select.

(g) Administrative Expenses and Records. The Commission is hereby prohibited from using more than 5 percent of the amounts appropriated under the authority of this Act or transferred pursuant to section 329 of the Department of Transportation and Related Agencies Appropriations Act, 1999 (section 101 (g) of division A of this Act) for administrative expenses. The Commission and its grantees shall maintain accurate and complete records which shall be available for audit and examination by the Comptroller General or his or her designee.

(h) Inspector General. Section 8G(a)(2) of the Inspector General Act of 1978 (5 USC App 3, Section 8G(a)(2)) is amended by inserting 'the Denali Commission,' after 'the Corporation for Public Broadcasting,'.

SEC. 307. SPECIAL FUNCTIONS.

(a) Rural Utilities.--In carrying out its functions under this title, the Commission shall as appropriate, provide assistance, seek to avoid duplicating services and assistance, and complement the water and sewer wastewater programs under section 306D of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926d) and section 303 of the Safe Drinking Water Act Amendments of 1996 (33 U.S.C. 1263a).

(b) Bulk Fuels.-- Funds transferred to the Commission pursuant to section 329 of the Department of Transportation and Related Agencies Act, 1999 (section 101(g) of division A of this Act) shall be available without further appropriation and until expended. The Commission, in consultation with the Commandant of the Coast Guard, shall develop a plan to provide for the repair or replacement of bulk fuel storage tanks in Alaska that are not in compliance with applicable—

(1) Federal law, including the Oil Pollution Act of 1990 (104 Stat. 484); or

(2) State law

(c) Demonstration Health Projects- In order to demonstrate the value of adequate health facilities and services to the economic development of the region, the Secretary of Health and Human Services is authorized to make grants to the Denali Commission to plan, construct, and equip demonstration health, nutrition, and child care projects, including hospitals, health care clinics, and mental health facilities (including drug and alcohol treatment centers) in accordance with the Work Plan referred to under section 304 of Title III – Denali Commission of Division C – Other Matters of Public Law 105-277. No grant for construction or equipment of a demonstration project shall exceed 50 percentum of such costs, unless the project is located in a severely economically distressed community, as identified in the Work Plan referred to under section 304 of Title III – Denali Commission of Division C – Other Matters of Public Law 105-277, in which case no grant shall exceed 80 percentum of such costs. To carry out this section, there is authorized to be appropriated such sums as may be necessary.

SEC. 308. EXEMPTION FROM FEDERAL ADVISORY COMMITTEE ACT.

The Federal Advisory Committee Act shall not apply to the Commission.

SEC. 309. DENALI ACCESS SYSTEM PROGRAM.

(a) ESTABLISHMENT OF THE DENALI ACCESS SYSTEM PROGRAM.—Not later than 3 months after the date of enactment of the SAFETEA–LU, the Secretary of Transportation shall establish a program to pay the costs of planning, designing, engineering, and constructing road and other surface transportation infrastructure identified for the Denali access system program under this section.

(b) DENALI ACCESS SYSTEM PROGRAM ADVISORY COMMITTEE.—

(1) ESTABLISHMENT.—Not later than 3 months after the date of enactment of the SAFETEA–LU, the Denali Commission shall establish a Denali Access System Program Advisory Committee (referred to in this section as the 'advisory committee').

(2) MEMBERSHIP.—The advisory committee shall be composed of nine members to be appointed by the Governor of the State of Alaska as follows:

(A) The chairman of the Denali Commission.

(B) Four members who represent existing regional native corporations, native nonprofit entities, or tribal governments, including one member who is a civil engineer.

(C) Four members who represent rural Alaska regions or villages, including one member who is a civil engineer.

(3) TERMS.—

(A) IN GENERAL.—Except for the chairman of the Commission who shall remain a member of the advisory committee, members shall be appointed to serve a term of 4 years.

(B) INITIAL MEMBERS.—Except for the chairman of the Commission, of the 8 initial 11 members appointed to the advisory committee, 2 shall be appointed for a term of 1 year, 2 shall be appointed for a term of 2 years, 2 shall be appointed for a term of 3 years, and 2 shall be appointed for a term of 4 years. All subsequent appointments shall be for 4 years.

(4) RESPONSIBILITIES.—The advisory committee shall be responsible for the following activities:

(A) Advising the Commission on the surface transportation needs of Alaska Native villages and rural communities, including projects for the construction of essential access routes within remote Alaska Native villages and rural communities and for the construction of roads and facilities necessary to connect isolated rural communities to a road system.

(B) Advising the Commission on considerations for coordinated transportation planning among the Alaska Native villages, Alaska rural villages, the State of Alaska, and other government entities.

(C) Establishing a list of transportation priorities for Alaska Native village and rural community transportation projects on an annual basis, including funding recommendations.

(D) Facilitate the Commission's work on transportation projects involving more than one region.

(5) FACA EXEMPTION.—The provisions of the Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to the advisory committee.

(c) ALLOCATION OF FUNDS.—

(1) IN GENERAL.—The Secretary shall allocate funding authorized and made available for the Denali access system program to the Commission to carry out this section.

(2) DISTRIBUTION OF FUNDING.—In distributing funds for surface transportation projects funded under the program, the Commission shall consult the list of transportation priorities developed by the advisory committee.

(d) PREFERENCE TO ALASKA MATERIALS AND PRODUCTS.—To construct a project under this section, the Commission shall encourage, to the maximum extent practicable, the use of employees and businesses that are residents of Alaska.

(e) DESIGN STANDARDS.—Each project carried out under this section shall use technology and design standards determined by the Commission to be appropriate given the location and the functionality of the project.

(f) MAINTENANCE.—Funding for a construction project under this section may include an additional amount equal to not more than 10 percent of the total cost of construction, to be retained for future maintenance of the project. All such retained funds shall be dedicated for maintenance of the project and may not be used for other purposes.

(g) LEAD AGENCY DESIGNATION.—For purposes of projects carried out under this section, the Commission shall be designated as the lead agency for purposes of accepting Federal funds and for purposes of carrying out this project.

(h) NON-FEDERAL SHARE.—Notwithstanding any other provision of law, funds made available to carry out this section may be used to meet the non-Federal share of the cost of projects under title 23, United States Code.

(i) SURFACE TRANSPORTATION PROGRAM TRANSFERABILITY.—

(1) TRANSFERABILITY.—In any fiscal year, up to 15 percent of the amounts made available to the State of Alaska for surface transportation by section 133 of title 23, United States Code, may be transferred to the Denali access system program.

(2) NO EFFECT ON SET-ASIDE.—Paragraph (2) of section 133(d), United States Code, shall not apply to funds transferred under paragraph (1).

(j) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There is authorized to be appropriated out of the Highway Trust Fund (other than the Mass Transit Account) to carry out this section $15,000,000 for each of fiscal years 2006 through 2009.

(2) APPLICABILITY OF TITLE 23.—Funds made available to carry out this section shall be available for obligation in the same manner as if such funds were apportioned under chapter 1 of title 23, United States Code; except that such funds shall not be transferable and shall remain available until expended, and the Federal share of the cost of any project carried out using such funds shall be determined in accordance with section 120(b).

"(C) $5,000,000 shall be available for each of fiscal years 2006 through 2009 for payments to the Denali Commission under the terms of section 307 (e) [Clarification: 309(e)] of the Denali Commission Act of 1998 (42 U.S.C. 3121 note) for docks, waterfront development projects , and related transportation infrastructure.

SEC. 310. AUTHORIZATION OF APPROPRIATIONS.

(a) In General.--There are authorized to be appropriated to the Commission to carry out the duties of the Commission consistent with the purposes of this title and pursuant to the work plan approved under section 4 under this Act, $20,000,000 for fiscal year 1999, and such sums as may be necessary for fiscal years 2000, 2001, 2002, and 2003

(b) Availability.--Any sums appropriated under the authorization contained in this section shall remain available until expended.

SECTION 310 (no title provided)

(a) The Federal Co-chairman of the Denali Commission shall appoint an Economic Development Committee to be chaired by the president of the Alaska Federation of Natives which shall include the Commissioner of community and Economic Affairs for the State of Alaska, a representative of the Alaska Bankers Association, the chairman of the Alaska Permanent Fund, a representative from the Alaska Chamber of Commerce, and a representative from each region. Of the regional representatives, at least two each shall be from Native regional corporations, Native non-profit corporations, tribes, and borough governments.

(b) The Economic Development Committee is authorized to consider and approve applications from Regional Advisory Committees for grants and loans to promote economic development and promote private sector investment to reduce poverty in economically distressed rural villages. The Economic Development Committee may make mini-grants to individuals applicants and may issue loans under such terms and conditions as it determines.

(c) The State Co-Chairman of the Denali Commission shall appoint a Regional Advisory Committee for each region which may include representatives from local, borough, and tribal governments, the Alaska Native non-profit corporation operating in the region, local Chambers of Commerce, and representatives of the private sector. Each Regional Advisory Committee shall develop a regional economic development plan for consideration by the Economic Development Committee.

(d) The Economic Development Committee, in consultation with the First Alaskans Institute, may develop rural development performance measures linking economic growth to poverty reduction to measure the success of its program which may include economic, educational, social, and cultural indicators. The performance measures will be tested in one region for two years and evaluated by the University of Alaska before being deployed statewide. Thereafter performance in each region shall be evaluated using the performance measures, and the Economic Development Committee shall not fund projects which do not demonstrate success.

(e) Within the amounts made available annually to the Denali commission for training, the Commission may make a grant to the First Alaskans Foundation upon submittal of an acceptable work plan to assist Alaska Natives and other rural residents in acquiring the skills and training necessary to participate fully in private sector business and economic and development opportunities through fellowships, scholarships, internships, public service programs, and other leadership initiatives.

(f) The Committee shall sponsor a statewide economic development summit in consultation with the World Bank to evaluate the best practices for economic development worldwide and how they can be incorporated into regional economic development plans.

(g) There is authorized to be appropriated such sums as may be necessary to the following agencies which shall be transferred to the Denali commission as a direct lump sum payment to implement this section:

(1) Department of commerce, Economic Development Administration

(2) Department of Housing and Urban Development

(3) Department of the Interior, Bureau of Indian Affairs

(4) Department of Agriculture, Rural Development Administration, and

(5) Small Business Administration

Note: The following "open meetings" language is incorporated into the Commission's energy program authorizations within the *Energy Policy Act of 2005*, PL 109-190, SEC 356. The Act does not specify it's insertion into the enabling legislation.

(c) OPEN MEETINGS-

(1) IN GENERAL- Except as provided in paragraph (2), a meeting of the Commission shall be open to the public if--

(A) the Commission members take action on behalf of the Commission; or

(B) the deliberations of the Commission determine, or result in the joint conduct or disposition of, official Commission business.

(2) EXCEPTIONS- Paragraph (1) shall not apply to any portion of a Commission meeting for which the Commission, in public session, votes to close the meeting for the reasons described in paragraph (2), (4), (5), or (6) of subsection (c) of section 552b of title 5, United States Code.

(3) PUBLIC NOTICE-

(A) IN GENERAL- At least 1 week before a meeting of the Commission, the Commission shall make a public announcement of the meeting that describes--

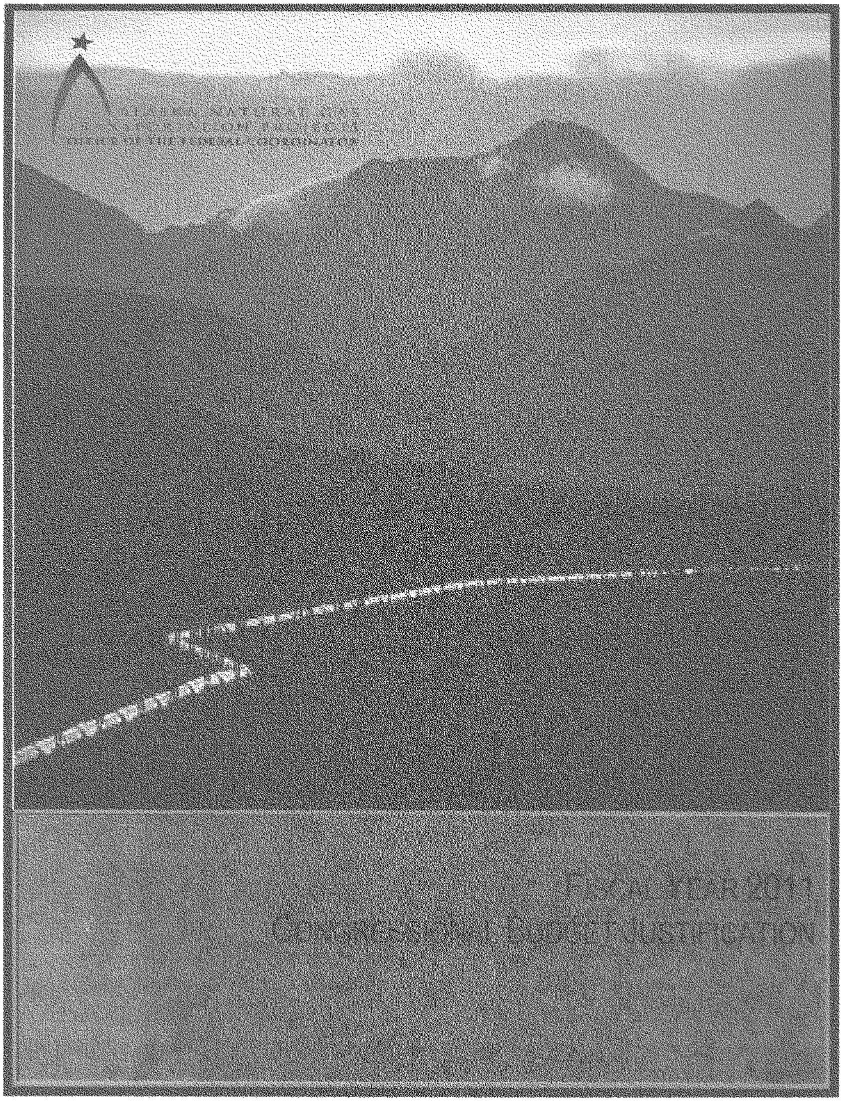
(i) the time, place, and subject matter of the meeting;

(ii) whether the meeting is to be open or closed to the public; and

(iii) the name and telephone number of an appropriate person to respond to requests for information about the meeting.

(B) ADDITIONAL NOTICE- The Commission shall make a public announcement of any change to the information made available under subparagraph (A) at the earliest practicable time.

(4) MINUTES- The Commission shall keep, and make available to the public, a transcript, electronic recording, or minutes from each Commission meeting, except for portions of the meeting closed under paragraph (2).



ALASKA NATURAL GAS
TRANSPORTATION PROJECTS
OFFICE OF THE FEDERAL COORDINATOR

FISCAL YEAR 2011
CONGRESSIONAL BUDGET JUSTIFICATION

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EXECUTIVE SUMMARY

The Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects (OFC) established by Public Law 108-324, is an independent agency in the Executive Branch, pursuant to the Alaska Natural Gas Pipeline Act (ANGPA) of 2004. The OFC is responsible for coordinating all Federal activities for an Alaska natural gas transportation project, including joint surveillance and monitoring with the State of Alaska during construction and for one year following the completion of the project.

The five major functions of the OFC are to: (1) coordinate the expeditious discharge of all activities by all Federal agencies with respect to an Alaska natural gas transportation project; (2) ensure compliance of a project with ANGPA and the Alaska Natural Gas Transportation Act (ANGTA); (3) ensure that implementation or enforcement actions do not exceed the limitations established in ANGPA; (4) enter into a joint surveillance and monitoring agreement with the State of Alaska for the purpose of monitoring the construction of the project; and (5) provide a liaison function to ensure adequate communication with Congress, the State of Alaska, U.S Federal Government and Canadian agencies.

The FY 2011 Budget proposes $4.285 million discretionary appropriated funds and up to $4.683 million in mandatory reimbursable fees, charges, and commissions.

ORGANIZATIONAL STRUCTURE AND FUNCTIONS OF THE AGENCY

The OFC is organized into four divisions overseen by a Federal Coordinator in the Washington, DC office and a Deputy Federal Coordinator in the Anchorage, Alaska field office.

The four divisions in Washington, DC include the Office of Permits, Scheduling and Compliance; the Office of Communications and Policy Support; the Office of General Counsel; and the Office of Administration.

- **The Office of Permits, Scheduling, and Compliance (OPS&C)** oversees federal agencies' compliance with applicable laws and ensures that no discretionary terms or conditions are imposed by participating federal agencies that would delay or impair the expeditious completion of the project. The OPS&C drafts and manages the federal implementation plan process and the OFC's data and information management system. The office drafts and maintains a matrix with respect to environmental, engineering, and construction and operation permits and authorizations that will be issued by state and federal agencies. The OPS&C provides oversight of the various regulatory processes for completing the natural gas transportation project. The OPS&C also coordinates activities between U.S. federal agencies and the appropriate regulatory Canadian agencies to ensure proper synchronization of critical processes related to the project.

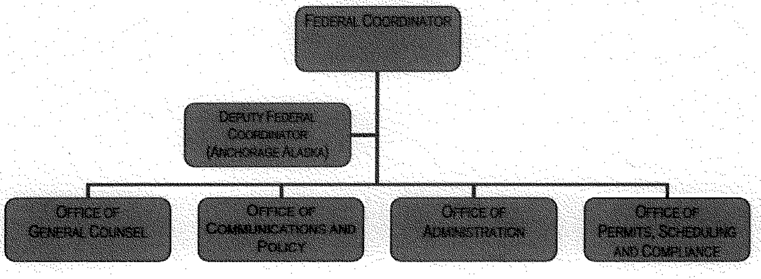
- **The Office of Communications and Policy (OCP)** maintains effective liaison and informative communications with Congress, the public, project stakeholders, federal agencies, Alaska state agencies and Canadian agencies through outreach presentations, newsletters, the OFC website, blogs, and other relevant medium. The OCP develops, implements and maintains a comprehensive communications plan to maximize the collection and delivery of information and to provide transparency relative to the project.

- **The Office of General Counsel (GC)** provides legal counsel and support to the entire OFC. The GC is responsible for drafting and implementing Memorandums of Understanding (MOUs), agreements, policies, and regulations that may be required to enable the OFC to carry out its statutorily mandated mission.

- The **Office of Administration (OA)** manages all human resource and personnel matters, financial management, procurement, contract management, facilities management, program travel, security and IT related functions. The OA also maintains active liaison with the Office of Personnel Management and the Office of Management and Budget.

In addition to the four divisions, the OFC has a Field Office in Anchorage, Alaska (OFC-Alaska).

- **OFC-Alaska** provides liaison functions with the Alaskan State interests including regulatory authorities, local federal participating agencies, the Alaska public, tribal interests, conservation groups and applicant offices in Alaska. OFC-Alaska also conducts interagency coordination and technical discussions relevant to the project and the joint surveillance and monitoring agreement with the State of Alaska.


FEDERAL COORDINATOR
DEPUTY FEDERAL COORDINATOR (ANCHORAGE ALASKA)
OFFICE OF GENERAL COUNSEL
OFFICE OF COMMUNICATIONS AND POLICY
OFFICE OF ADMINISTRATION
OFFICE OF PERMITS, SCHEDULING AND COMPLIANCE

BACKGROUND OF ACTIVITIES IMPACTING THE OFC'S 2011 BUDGET

Five projects were proposed related to the interstate and intrastate transportation of Alaska natural gas. Of the five two interstate projects have progressed. In FY 2009, two entities proposed interstate gas line projects through two separate processes—both under Section 103 of the Alaska Natural Gas Pipeline Act (ANGPA) enacted in 2004; and one under the Alaska Gasline Inducement Act (AGIA) enacted in 2007. The two entities entered the pre-filing process with the Federal Energy Regulatory Commission (FERC) to gain certificates of public conveyance and necessity. One of the entities plans to construct and operate a 48 to 52 inch diameter pipeline to move up to 4 billion cubic feet of natural gas per day (Bcf/d) from the Alaska North Slope to the Alberta Hub for North American markets. The other entity proposes to construct and operate a 48-inch-diameter pipeline with up to 5 Bcf/d of throughput to transport natural gas from the North Slope of Alaska to all major markets in North America via the existing Alberta Hub.

In fiscal year 2010, both project entities have plans for Open Seasons. Open Seasons are a commercial opportunity for potential customers to compete for and acquire capacity on a proposed or existing pipeline. Open Seasons inform project sponsors of shippers' needs so that they may adjust a project design accordingly. The Open Season may overlap other designs and environmental efforts in a project sponsor's development, as such; the outcome of the 2010 Open Seasons will have an impact on the OFC's planned activities for fiscal year 2011.

There are two separate phased implementation plan processes for each applicant seeking a FERC certificate for public conveyance and necessity. The phased processes will cover stages of environmental review through the completion of construction. In FY 2009, the OFC completed the first phase of one Project Implementation Plan. The second Project Implementation Plan will be addressed in fiscal year 2010—both plans will continue to be developed as the project progresses into 2011.

In 2009, the OFC began work on a web-based Geographic Information System (GIS) prototype along a 20-mile stretch of the proposed natural gas pipeline route at Atigun Pass. The GIS prototype is scheduled to be completed in fiscal year 2010, and if deemed to add value to the permitting and construction process, in 2011, it will be expanded to cover more sections of the proposed alignment of the natural gas pipeline. The GIS will be used to create a web-based data source that can be used by federal and state agencies involved in permitting the gas pipeline.

The OFC entered into discussions with the State of Alaska regarding a framework agreement which would lead to the agreement required in Section 106(e) of ANGPA. The agreement will be in effect during the construction of an Alaska natural gas transportation project and will be approved by the President of the United States and the Governor of Alaska. Work will continue on the agreement in 2010 and 2011.

The OFC is authorized to establish reasonable filing and service fees, charges and commissions. The collection of the fees and charges depend upon the level of the project's activity. No fees were collected in FY 2009. In 2010, the collection of fees, charges and commissions will depend on the outcome of the Open Season and the level of permitting activity. As such, the 2011 resource request for Mandatory Funding (fees, charges and commission) remains static and is the same as the 2010 request.

More detailed information about the OFC's past activities can be found in the Performance Accountability Reports on the OFC's website at www.arcticgas.gov.

HIGHLIGHTS OF PROGRAM ACTIVITIES FOR FISCAL YEAR 2011

Following are highlights of planned 2011 activities for the OFC. The activities are summarized by program area—the program areas directly coincide with the OFC's high performance goals for meeting the agency's mission. Specific details regarding the OFC's high performance goals and objectives can be found in the OFC's Strategic Plan. The goals and objectives are referenced in the highlights of the OFC's 2011 planned activities that follow.

Several aspects of the permitting process are outside the control of the OFC in particular, and the federal government in general, while there are some basic activities that the OFC anticipates performing in 2011 under most reasonable scenarios, the intensity and nature of some activities will depend on the rate of progress and other specifics of the permitting process and the outcome of the Open Season. With this potentially variable level of effort in mind, the Budget designates $4.285 million as discretionary funding for base activities and up to $4.683 million in reimbursable fees, charges, and commissions to be designated as mandatory funding, for a total of up to $8.968 million. The OFC is authorized to establish reasonable filing and service fees, charges, and commissions, which will depend on the level of permitting activity.

I. COORDINATION (GOALS 1 AND 2 OF THE OFC'S STRATEGIC PLAN)

A. PROJECT PLANNING AND IMPLEMENTATION

In accordance with *PL 108-778, Section 106(c),* the OFC has the statutory mandate to ensure federal agencies act in a manner that leads to expedited pipeline permitting, construction, and operation, within the requirements of applicable law. To carry out these mandates, the OFC 2011 Budget includes $294,261 in discretionary funds and up to $250,000 in mandatory funds (up to $544,261 total) to maintain and update the consolidated Project Plans and Permit/Authorizations matrix. The Project Plans describe program management activities and addresses legal and regulatory concerns, timelines, roles and responsibilities, data collection procedures, information management, and interagency communication requirements. The Project Plans address compliance with permitting guidelines, as well as other requirements delineated in the ANGPA. Throughout the progression of the natural gas transportation project, the OFC will place special emphasis on risk management, quality assurance, cost and schedule control, baselines, and change management. In addition to the Project Plans, the OFC will develop a matrix delineating responsibilities and timelines for federal and state agency permit and approval actions.

B. DATA AND INFORMATION MANAGEMENT

Data and information management are important to monitor and oversee the design, construction, and operation of a pipeline system. The OFC 2011 Budget includes a total of up to $1,050,000 of which, $50,000 is discretionary funds to maintain an interagency agreement for a federally managed and shared data management and information collaboration program. In 2009, work began on a comprehensive data management and geographic information system that will allow for the integration of hardware, software, and relevant geographical data to be shared among the federal participating federal agencies, the State of Alaska, and the project sponsor(s). The objective of the data management system is to provide a common point of reference for applicants and agencies that will assist in streamlining the permitting processes while providing an authoritative base map for analysis and referencing of all data related to the pipeline corridors. In 2011, the OFC plans continued development of the system. Progress and development of the data management system is largely contingent upon the project sponsor(s) developing their systems.

C. LIAISON AND COORDINATION

To ensure efficient communication and coordination among the project participants, the OFC 2011 Budget includes $516,296 in discretionary funds and up to $210,000 in mandatory funds (up to $726,296 total). As the operational pace of the project increases and becomes more complex, the OFC's role as liaison and coordinator will ensure alignment among the various involved entities and maximize delivery of information to the public and key decision makers. The OFC will interact closely with federal agencies under the terms of a Memorandum of Understanding developed in 2006 and will continue to work with the State of Alaska in managing and updating as required, a State-Federal Joint Surveillance and Monitoring Agreement. In addition, the OFC will work with the federal participating agencies, and Alaskan state and Canadian agencies in order to improve consistency in approach and to avoid delays in the project.

II. COMPLIANCE AND OVERSIGHT (GOAL 2 OF THE OFC'S STRATEGIC PLAN)

A. REVIEWS AND STUDIES

For ensuring expedited reviews as specified in *PL 108-778, Section 106(d)(1),* the 2011 Budget includes $920,119 in discretionary funds and up to $1,290,000 in mandatory funds (up to $2,210,119 total). With professional FTEs, contracted, term, and/or temporarily employed subject matter experts, the OFC will review all proposed federal permits, right-of-way authorizations, certificates, and leases prior to their issuance in order to ensure no unnecessary environmental reviews and restrictions are imposed that will impair, delay, or prevent the successful completion of an Alaska natural gas transportation project. The OFC will evaluate a range of issues, processes and procedures that may have an impact on the issuance of the various permits, authorizations, and certificates required to complete the natural gas pipeline project. The OFC will employ professional FTEs, contracted, term, and/or temporarily employed technical experts with disciplines in areas such as pipeline design, arctic civil design and facilities, environmental engineering and science, and geotechnical engineering. The experts will conduct reviews, and when warranted, studies to enable the OFC to respond quickly to ensure no unnecessary environmental reviews and restrictions are imposed that will impair, delay, or prevent the successful completion of an Alaska natural gas transportation project. In addition, the studies will assist in determining the financial viability of decisions made by other federal agencies.

B. STATE AND FEDERAL MOU

To maintain and manage a joint surveillance and monitoring agreement with the State of Alaska and to carry out the Federal Coordinator duties specified in *PL 108-778, Section 106(e),* the OFC 2011 Budget includes $155,530 in discretionary funds and up to $160,000 in mandatory funds (up to $315,530 total). The Federal Government will have primary surveillance and monitoring responsibility in areas where the Alaska natural gas transportation project crosses federal land or private land and the Alaska State Government will have primary surveillance and monitoring responsibility in areas where the project crosses state land. The OFC will create a complete and timely agreement that will address topics such as intergovernmental coordination with Federal, State of Alaska, and local agencies; Alaska Natives, including Native institutions; oil and gas industry; and environmental groups; the OFC will also address appropriate regulatory provisions in the agreement.

III. ADMINISTRATION AND POLICY SUPPORT (GOALS 3 AND 4 OF THE OFC'S STRATEGIC PLAN)

A. POLICY SUPPORT AND INFORMATION DISSEMINATION

The OFC 2011 Budget includes $273,419 in discretionary funds and up to $540,000 in mandatory funds (up to $813,419 total) for policy support and information dissemination. To ensure the expeditious completion of an Alaska natural gas pipeline project, the OFC will analyze major administrative policy issues and legislative initiatives and will ascertain their impact on the mission of the OFC and the overall Alaska natural gas transportation project. The OFC will employ professional FTEs, term and/or temporary employees to advise the Federal Coordinator, members of the OFC staff, and other federal agencies. The OFC will confer with key officials from the State of Alaska, the Federal Government, the Canadian government, Alaska Natives, and the general public on legislative matters, policies, problems, or major concerns regarding a natural gas transportation project.

B. ADMINISTRATIVE PROGRAM SUPPORT

The OFC 2011 Budget includes $2,075,375 in discretionary funds and up to $1,233,000 in mandatory funds (up to $3,308,375 total) for administrative program support. The OFC administrative program support activities will include human resource management, accounting, payroll, background investigations, credentialing of employees, travel, contract management, space management, telecommunications, procurement of furniture, equipment, miscellaneous supplies, publications, and online legal, environmental, and professional research database subscriptions.

SUMMARY OF FUNDING BY PROGRAM ACTIVITY (2008 - 2011)

The Budget designates $4.285 million as discretionary funding and up to $4.683 million in mandatory funding from collected fees, charges, and commissions, for a total of up to $8.968 million. Mandatory funding will be used to pay for contracted, term, and temporary personnel and associated costs.

PROGRAM ACTIVITY	FY2008 ACTUAL APPROPRIATION	FY2009 DISCRETIONARY APPROPRIATION	FY2009 MANDATORY APPROPRIATION	FY2009 TOTAL APPROPRIATION	FY2010 DISCRETIONARY APPROPRIATION	FY2010 MANDATORY APPROPRIATION	FY2010 TOTAL APPROPRIATION	FY2011 DISCRETIONARY REQUEST	FY2011 MANDATORY REQUEST	FY2011 TOTAL REQUEST
Project Planning and Implementation	$327,222	$159,238	$260,188	$419,426	$339,784	$250,000	$589,784	$294,261	$250,000	$544,261
Data and Information Management	$584,000	$1,000,000	$0	$1,000,000	$50,000	$1,000,000	$1,050,000	$50,000	$1,000,000	$1,050,000
Liaison and Coordination	$273,628	$399,414	$109,050	$508,464	$485,916	$210,000	$695,916	$516,296	$210,000	$726,296
Reviews	$393,766	$291,590	$2,014,745	$2,306,335	$642,232	$1,290,000	$1,932,232	$920,119	$1,290,000	$2,210,119
Federal and State MOU	$0	$198,945	$218,775	$417,720	$152,480	$160,000	$312,480	$155,530	$160,000	$315,530
Policy Support and Information Dissemination	$130,442	$239,438	$583,289	$822,727	$358,586	$540,000	$898,586	$273,419	$540,000	$813,419
Administrative Program Support	$551,942	$2,111,375	$1,473,953	$3,585,328	$2,437,002	$1,233,000	$3,670,002	$2,075,375	$1,233,000	$3,308,375
TOTAL BUDGET	**$2,261,000**	**$4,400,000**	**$4,660,000**	**$9,060,000**	**$4,466,000**	**$4,683,000**	**$9,149,000**	**$4,285,000**	**$4,683,000**	**$8,968,000**

SUMMARY OF FUNDING BY OBJECT CLASSIFICATION (2008 - 2011)

The Budget designates $4.285 million as discretionary funding and up to $4.683 million in collected fees, charges, and commissions to be designated as mandatory funding, for a total of up to $8.968 million. Mandatory funding in the 2011 budget will be used to pay for contracted, term, and temporary personnel and associated costs.

OBJECT CODE	EXPENSES	FY2008 ACTUAL	FY2009 DISCRETIONARY APPROPRIATION	FY2009 MANDATORY APPROPRIATION	FY2009 TOTAL APPROPRIATION	FY2010 DISCRETIONARY APPROPRIATION	FY2010 MANDATORY APPROPRIATION	FY2010 TOTAL APPROPRIATION	FY2011 DISCRETIONARY REQUEST	FY2011 MANDATORY REQUEST	FY2011 TOTAL REQUEST
11.	Compensation	$485,986	$1,585,292	$2,451,136	$4,036,428	$1,628,095	$1,672,000	$3,300,095	$1,777,800	$1,672,000	$3,449,800
12.	Benefits	$145,986	$429,000	$651,567	$1,080,567	$439,586	$528,000	$967,586	$545,700	$528,000	$1,073,700
21.	Travel	$120,000	$500,000	$200,000	$700,000	$200,000	$500,000	$700,000	$250,000	$500,000	$750,000
22.	Transportation of Things	$5,000	$25,000	$0	$25,000	$25,000	$0	$25,000	$5,000	$0	$5,000
23.	Communications and Utilities	$10,000	$35,000	$58,000	$93,000	$50,000	$25,000	$75,000	$125,000	$25,000	$150,000
23.	Rent	$300,000	$229,000	$382,000	$611,000	$903,000[2]	$0	$903,000	$910,000	$0	$910,000
24.	Printing and Reproduction	$25,000	$25,000	$0	$25,000	$25,000	$15,000	$40,000	$25,000	$15,000	$40,000
25.	Consulting and Other Service	$1,119,028	$1,271,708	$522,297	$1,794,005	$710,319	$1,493,000	$2,203,319	$336,500	$1,493,000	$1,829,500
25.	Training	$10,000	$50,000	$20,000	$70,000	$80,000	$75,000	$155,000	$80,000	$75,000	$155,000
26.	Supplies and Materials	$15,000	$55,000	$50,000	$105,000	$55,000	$25,000	$80,000	$55,000	$25,000	$80,000
31.	Equipment and Furniture	$25,000	$195,000	$325,000	$520,000	$350,000	$350,000	$700,000	$175,000	$350,000	$525,000
Total		[1] $2,261,000	$4,400,000	$4,660,000	$9,060,000	$4,466,000	$4,683,000	$9,149,000	$4,285,000	$4,683,000	$8,968,000

SUMMARY OF FUNDING BY OBJECT CLASSIFICATION (2008 - 2011) CONTINUED

	FY2008 ACTUAL	FY2009 DISCRETIONARY APPROPRIATION	FY2009 MANDATORY APPROPRIATION	FY2009 TOTAL APPROPRIATION	FY2010 DISCRETIONARY APPROPRIATION	FY2010 MANDATORY APPROPRIATION	FY2010 TOTAL APPROPRIATION	FY2011 DISCRETIONARY REQUEST	FY2011 MANDATORY REQUEST	FY2011 TOTAL REQUEST
TOTAL EMPLOYEES	6	15	25[3, 4]	40 TOTAL	15	15[3,4]	30 TOTAL	15	15[3]	30 TOTAL

Notes:

1. FY 2008 funding was entirely discretionary, no mandatory funds were collected.
2. For the first three quarters of FY 2009, the OFC was located in temporary space. The increase in discretionary funding for rent in the FY 2010 budget request provided for rent for two permanent spaces in Anchorage, Alaska and in Washington, DC.
3. Contracted, term, and temporary personnel.
4. As a result of the unexpected number of competing project sponsors, some program activities have been projected to occur in subsequent fiscal years. The number of anticipated contracted/term and or temporary staff hires have been readjusted according to projected/future program activities.

Fiscal Year 2011 Budget by Object Classification

Object Class 11.1 Full Time Staff $1,777,800 (Discretionary Funding)
Includes funding for 15 full-time permanent staff. Projected staff activities include but are not limited to, preparing and issuing advice to federal agencies on executing project implementation plans; providing analyses of major administrative policy issues to support OFC's consultations with Canadian and State of Alaska regulatory authorities; responding to Congress, and federal agencies with information and data requests; reviewing all proposed federal permits, right-of-way authorizations, certificates, and leases prior to their final issuance to ensure no unnecessary environmental conditions or restrictions are imposed by other federal agencies that will impair, delay, or prevent the successful completion of an Alaska natural gas transportation project; and, acting as point of contact and liaison for federal agencies, Alaska State officials, Canadian officials, project sponsors and other stakeholders.

Object Class 11.3 Other than Full Time Staff up to $1,672,000 (Mandatory Funding)
Mandatory funds for up to 15 term, temporary, and/or contracted employees. The OFC may employ contracted, term, and/or temporary employees with technical expertise in various areas such as pipeline design, arctic civil design, environmental engineering, and geotechnical engineering. The experts may conduct reviews, and if warranted, studies to enable the OFC to respond quickly to ensure no unnecessary environmental reviews and restrictions are imposed by other federal agencies that will impair, delay, or prevent the successful completion of an Alaska natural gas transportation project. Also, the studies may assist in determining the financial viability of decisions made by other federal agencies.

Object Class 12
Benefits for Full Time Staff $545,700 (Discretionary Funding) and
Benefits for Other than Full Time Staff up to $528,000 (Mandatory Funding)
Funding for benefits for 15 full time staff; and up to 15 temporary, term or contracted employees.

Object Class 21
Program Travel $250,000(Discretionary Funds);
and up to $500,000 (Mandatory Funds)
Funding provides for travel to Alaska, Canada, project proponents' headquarters, and other associated project related program travel.

Object Class 22 Transportation of Things $5,000 (Discretionary Funds)
Shipping, mailing, and related equipment.

OBJECT CLASS 23 RENT AND ASSOCIATED COSTS $1,035,000 (DISCRETIONARY FUNDS); AND UP TO $25,000 (MANDATORY FUNDS)

Funding for rent, communications, and utilities in two offices: in Anchorage, Alaska and in Washington, DC.

OBJECT CLASS 24 PRINTING AND REPRODUCTION $25,000 (DISCRETIONARY FUNDS); AND UP TO $15,000 (MANDATORY FUNDS)

Funding for agency letterhead, printing, and copying services for studies, publications, reports, vacancy announcements and other program related materials.

OBJECT CLASS 25 TRAINING, CONSULTING, AND OTHER SERVICES $416,500 (DISCRETIONARY FUNDS); AND UP TO $1,568,000 (MANDATORY FUNDS)

Discretionary funding to provide for training, conferences, administrative support services such as payroll, accounting, human resource services and support, background investigations, credentialing, automated travel program support, and other miscellaneous interagency support agreements. Mandatory funding to conduct special studies, regulatory research, analysis, and design, construction, and implementation of a data management system.

OBJECT CLASS 26 SUPPLIES AND MATERIALS $55,000 (DISCRETIONARY FUNDS); AND UP TO $25,000 (MANDATORY FUNDS)

Funding to provide for routine office supplies, on-line subscriptions, newspapers, periodicals, and other technical and professional publications.

OBJECT CLASS 31 EQUIPMENT $175,000 (DISCRETIONARY FUNDS); AND UP TO $350,000 (MANDATORY FUNDS)

Funding for furniture, computer equipment, IT servers, software, copiers, faxes, printers to support full time permanent staff, authorized officers, term, contracted, and/or temporary employees.